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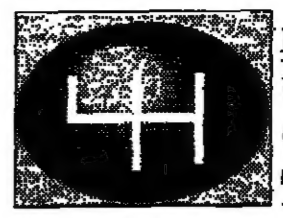

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Changing down to a leaner machine
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FINANCIAL TIMES

Europe's Business Newspaper MONDAY SEPTEMBER 20 1993

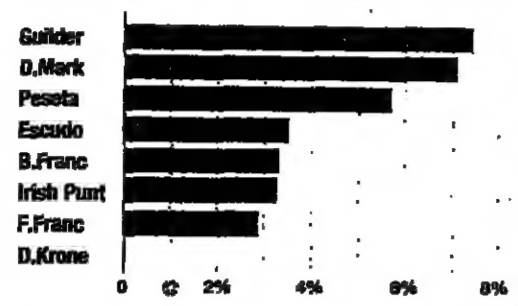
Hamburg voters deliver a strong rebuke to Kohl

Hamburg voters delivered a resounding snub to the ruling coalition of German chancellor Helmut Kohl and to the opposition Social Democrats. Winners in the city election, according to first firm forecasts, were all the protest parties, led by the Greens, who doubled their support. Page 16

Clinton launches health plan: President Bill Clinton this week launches his plan for reforms to the US healthcare system, under which all Americans would be guaranteed access to a standard package of benefits. Page 6

European Monetary System: Conditions in the exchange rate mechanism grid were a great deal more relaxed at the end of last week. Only 7.71 percentage points divided the weakest currency in the system, the Danish krone, from the strongest, the Dutch guilder. That is only a little more than half of the permitted divergence. One of the best performing currencies in the system last week was the Spanish peseta, which is less than 2 percentage points below the D-Mark in the grid. Currencies, Page 27

EMS: Grid September 17, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reform of the exchange rate mechanism on August 2 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Canada's cigarette headache: Cross-border smuggling of cigarettes from the US poses problems for Canada's tobacco industry. Page 16

Tourists in second crash: Sixteen British tourists whose coach crashed in north-east France on Saturday survived a second accident yesterday when an aircraft hired to fly them home crashed while trying to take off from Troyes. Five people were taken to hospital. Two of the original group died in the coach crash.

Major admits problems: British prime minister John Major admitted that rightwing critics of his leadership were undermining the government's authority. Page 16

Queen greets Keating: Queen Elizabeth made Australian premier Paul Keating welcome with a barbecue when he visited her at Balmoral to brief her on his hopes to make his country a republic. Later, he was greeted on arrival in Dublin by Irish prime minister Albert Reynolds.

Demjanjuk free to leave Israel

Israel's Supreme Court rejected demands that John Demjanjuk, 73 (left), acquitted in July of being Nazi killer "Ivan the Terrible", should face another trial and said he was free to leave the country after a seven-year legal fight. He is expected to return to Cleveland in the US, where he settled after the second world war.

Bosnian doubts: Bosnia's president Alija Izetbegovic cast doubt on a plan for the republic's partition after mediators failed to win concessions from Serb and Croat leaders. Page 2

World Bank will raise lending: The World Bank will increase lending commitments by up to $3.2bn in its current fiscal year from $26.9bn in the 12 months to June 30, partly because of the growing financing needs of former communist states. Page 4

Student killed in Florida: A 17-year-old exchange student from Turkey was found dead near the Tampa, Florida, home where he was staying. Neighbours said he had apparently been beaten to death.

Paramount bidding fear: Speculation is intensifying that other US media moguls will initiate a bidding war for Paramount Communications, the film and publishing group which agreed to be acquired by Viacom for $8.2bn. Page 17

Georgian peace hope: Georgian and Abkhazian representatives signed an agreement to withdraw their forces from the war zone in Abkhazia. Georgian leader Eduard Shevardnadze had earlier appealed to Russia and the west for help.

Sihanouk to be king: Cambodian lawmakers endorsed a new constitution paving the way for veteran leader Prince Norodom Sihanouk to be king, a return to the throne he vacated nearly 40 years ago.

Telescope retrieved: Astronauts used the space shuttle Discovery's robot arm to retrieve a German ultraviolet telescope deployed to study the life cycles of stars. It will be returned to earth.

Rival Olympic lobbyists spend more than $150m

By Financial Times reporters

CONTENDERS TO stage the 2000 Olympic Games have poured well over $154m into an unprecedented global lobbying battle which reaches a climax this week in Monaco.

The campaign has broken all records for the intensity and emotion, the resources and ingenuity invested in winning the votes of the 91 International Olympic Committee delegates. The figure excludes the large amounts spent by China, which has not provided expenditure figures.

The five rivals – favourites Sydney and Beijing, along with Manchester, Berlin and Istanbul – present their final arguments to the IOC on Thursday. They have already gone to great lengths to impress one of the world's most courted electorates, spending more than £1m a delegate to promote their claims.

China has lent a priceless 2,200-year-old life-size terracotta warrior to the new Olympic museum in Lausanne – a project dear to the heart of Mr Juan Antonio Samaranch, the International Olympic Committee's president.

Daimler Benz, the German motor group, and a leading sponsor of the Berlin bid, will make its presence felt on Thursday by providing 40 limousines and 12 large buses for the meeting.

Delegates have been flown around the world, to stay at first class hotels to assess the sites. Seventy-nine of the IOC's 91 members have visited Manchester in the north-west of the UK, while 66 have made official visits to Sydney. A group of five-star Australian hoteliers provided A$1m of accommodation.

Behind the scenes big business is thought to have a played influential roles in the campaigns. Large sponsors such as Coca-Cola, Kodak and IBM are thought to be unanimous in wanting Beijing. An IOC official: "It will give them astonishing presence and contacts in the only world market experiencing double-digit growth."

Governments are also pegging their reputations to the bids. Mr John Major, Mr Paul Keating and Mrs Tansu Ciller, the British, Australian and Turkish prime ministers, are expected to take part in the Monaco presentations.

Giant banners extolling their cities' virtues hang from the side of the eight-storey Manchester headquarters of Granada TV, network television producer, and flutter from the Sydney Harbour Bridge. Istanbul's slogan – "Let's Meet Where the Continents Meet," is plastered all over the Turkish city.

An IOC evaluation report this summer placed Sydney first and Manchester second in terms of the technical merits of their facilities. But the prize for the most thorough promotion has already gone to Beijing.

Continued on Page 16
Olympic campaigns, Page 8
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UK threatens to block French initiatives on EC

By Kevin Brown in Tokyo, Quentin Peel in Bonn and John Ridding in Paris

Major denounces French campaign against farm trade agreement

THE British government threatened yesterday to block French EC initiatives unless Paris drops threats to veto the Blair House agreement on farm trade.

Mr John Major, the British prime minister, said in speeches and interviews in Tokyo that French opposition to the agreement was "wrong and dangerous".

Officials said Mr Major was "extremely concerned" about the possibility that the Uruguay Round negotiations on the general agreement on tariffs and trade might unravel if Paris succeeds in reopening the agreement, which sets out a common EC and US position on agricultural trade.

France remained resolute in its opposition to the US-EC Blair House agreement, threatening to veto the deal unless its EC partners agreed that negotiations would be reopened.

"The EC cannot conclude any Gatt agreement without a unanimous decision of its members," said Mr Nicolas Sarkozy, the government spokesman, after a meeting of cabinet ministers called to discuss today's negotiations in Brussels.

A statement issued by the prime minister's office said: "The so-called Blair house pre-accord is incompatible with the reform of the EC's Common Agricultural Policy." As a result, the statement said, discussions must be launched on a new basis between the EC and its partners, particularly the US.

PAGE 3
■ Hopes rise that farm trade deal can be saved
■ Gloomy outlook for EC steel

Mr Major's comments set the scene for a fierce argument over the agreement at a meeting in Brussels today of EC farm, foreign and trade ministers.

The conflict is causing growing worries in Bonn that the British government may take almost as intransigent a position in defence of the Blair House agreement as the French government is taking in attacking it – thus precipitating deadlock.

"The British seem to see this as a good way of undermining the Franco-German alliance," a senior Bonn official said at the weekend. "They are taking a very hard line in rejecting any attempt to help the French government."

Germany's position has been that it is not ready to "renegotiate" the Blair House accord, but is prepared to try to "reinterpret" it to soften the blow for French exports.

Privately, British officials used much stronger language. A senior aide to the prime minister said the UK was "determined to stop the French wrecking the Uruguay Round".

Britain is understood to be drawing up a list of EC issues on which life could be made "difficult" for France.

Officials refused to be drawn on details, but the top priority is likely to be blocking French ambitions for the proposed European Monetary Institute to be located in France with a French president.

Britain also raised the prospect of international sanctions against French goods if Paris insists on reopening Blair House.

Officials said Mr Major had been assured that the Cairns Group of 14 agricultural exporting nations would impose penal tariffs on French products if Paris was thought to be imperilling the round.

Mr Major discussed the issue in London on Friday with Mr Paul Keating, the Australian prime minister, who chairs the Cairns Group.

Mr Major was also said to have received a sympathetic hearing from US president Bill Clinton, and to have discussed the issue with German chancellor Helmut Kohl.

The British warning of a possible EC crisis was thought to be aimed in part at shoring up German support for Blair House following ambiguous comments by Mr Kohl after a meeting with Mr Balladur last month.

Associated Press

Alexander Kwasniewski, leader of Poland's Democratic Left Alliance, goes to vote with his wife Jolanta

Left sees gains in Polish polls

By Anthony Robinson and Christopher Bobinski in Warsaw

POLAND'S former communists appeared to have made gains in close-run parliamentary elections yesterday as many voters switched allegiance from the mainstream, ex-Solidarity, parties in power since the communists fell in 1989.

Straw polls in Warsaw indicated a leftward shift, but the high volatility of voting signalled a very close race.

The mainstream Democratic Union (UD) party of Ms Hanna Suchocka, the outgoing prime minister, which has been at the centre of government since 1989, might be relegated to third place.

If opinion polls are borne out, the strongest parties will be the two with roots in the communist past. They are the Polish Peasants party, which is tipped to become the largest single party with about 18 per cent of the votes, and the Democratic Left Alliance (SLD), with up to 15 per cent. Huddles of voters were still making up their minds yesterday afternoon at the polling station on a housing estate on the edge of Warsaw.

Many voters there and at nearby polling stations said they had little enthusiasm for any of the 35 parties competing for election to the 460-seat Sejm, the lower house of parliament, or the 100-seat Senate.

While many voters agreed that their lives had improved since the Solidarity movement brought down the communist system, several cited the alliance's acrimonious disintegration as grounds for shifting their votes.

More than 27m were eligible to vote yesterday in the second general election since Poland became the first country in eastern Europe to sweep communists from power in August 1989.

Lengthy inter-party horse-trading is likely to begin this morning in the light of the poll results.

BMW Rolls-Royce engine may power upgraded DC9s

By Paul Betts, Aerospace Correspondent, in London

BMW ROLLS-ROYCE, the aero-engine joint venture between the UK power group and the German luxury carmaker, is in active talks with McDonnell Douglas of the US to provide new powerplants to re-engine old DC9 twin-engine jets.

The re-engining programme, which may initially involve up to 150 DC9 airliners built 25 years ago, would represent a significant breakthrough for BMW Rolls-Royce in its efforts to develop a new BR700 family of engines ranging from 12,000lb to 22,000lb of thrust to power corporate jets and regional 100-seat airliners.

The joint venture, formed three years ago, has already won orders from Gulfstream and Canadair to power new business jets with its 15,000lb thrust BR710 engine.

The two companies see a bigger market in the 100-120 seat airliner sector for its more powerful 20,000lb thrust BR715 engine.

Apart from the DC9 negotiations with McDonnell Douglas, the joint venture is also planning to offer the BR715 to power the proposed twin-engine RJX regional jet, which British Aerospace and Taiwan Aerospace are considering developing in their new joint venture.

BMW Rolls-Royce executives have already held preliminary talks with Taiwan Aerospace and are offering Taiwan some component manufacturing if the BR715 is eventually selected for the RJX.

The talks with McDonnell Douglas follow the US group's decision to offer financially weaker airlines an upgraded version of the DC9 as a cheaper alternative to acquiring new aircraft.

The upgrade, which would involve new engines meeting more stringent noise and emission standards as well as new cockpit avionics, would stretch the life of the DC9 by 15 years.

It would provide a new approach to helping financially strapped airlines to finance their fleet renewal programmes, since a fully refurbished DC9 is expected to cost about $18m, against $30m-$35m for a new twin-engine 100-120 seater airliner.

McDonnell Douglas is already in advanced negotiations with Air Canada and Finnair to upgrade a total of 42 DC9s. The two airlines are expected to decide whether to accept the DC9 offer or buy new aircraft by the end of this year.

Other airlines with large DC9 fleets include Northwest with 147, USAir with 73, Continental with 34, TWA with 46 and SAS with 36.

Overall, there are nearly 750 DC9s which will have to be either upgraded to meet new standards or replaced with new aircraft.

McDonnell Douglas is seeking to maintain its share of the twin-engine airliner market with this programme, against intense competition from Boeing, which recently launched the 737X, and the European Airbus A320.

Boeing is developing the faster, longer-range 737X as a replacement for older 737s as well as an eventual replacement for DC9s.

Rolls-Royce and its partners in the International Aero Engine consortium, which manufactures the V2500 engine, have decided not to compete for 737X business against the Franco-American CFM International partnership of GE and Snecma.

Sir Ralph Robins, the Rolls-Royce chairman, said: "We saw no point in entering the 737X competition."

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	CC1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Survey shows Europe narrowing gap with US

EC labour costs to fall below Japan

By David Goodhart, Labour Editor

AVERAGE European Community hourly labour costs will this year fall below those in Japan for the first time, and Europe is also narrowing the gap with the US, according to the Economist Intelligence Unit's annual survey of European labour costs.

The survey, based on production workers in manufacturing, casts some doubt on the growing pessimism about Europe's ability to compete in world markets.

But the favourable trend for European hourly wage costs is largely due to the strength of the yen and the dollar and European wages are still expected to rise faster than in the US or Japan this year. The survey predicts a rise of 4.9 per cent in Europe, down from 5.7 per cent in 1992, compared with 3.2 per cent in the US and 2.8 per cent in Japan.

The survey also finds that western Germany's wage cost problem is deteriorating further. The country tops the league table with an hourly average of $25.34, well ahead of Switzerland on $22.48. The problem is compounded by the strength of the D-Mark against other European currencies.

In contrast Britain's labour costs will drop to an hourly average of $12.90 this year, less than half the German rate and a third lower than the European average. The UK is placed 12th in the table of 16 western European countries at the lower end of the "Europe medium" cost band which is headed by France, moving ahead of Italy and Finland.

The "Europe high" group in order of cost is: western Germany, Switzerland, Norway, Belgium, Netherlands, Denmark, Sweden and Austria. The Europe "medium group" is France, Italy, Finland, UK, Ireland and Spain, while the Europe "low group" is Greece and Portugal, with the latter on $4.69 per hour.

"While France has pursued a 'franc fort' policy, Italy has been able to reap the benefits of currency devaluation following the lira's suspension from the ERM last year. The UK figures suggest that a similar pattern is emerging for Britain", says Mr Graham Hatton, director of the survey.

The survey takes account of all direct payments made to employees, including overtime, bonuses and holiday pay, plus non-wage costs incurred by employers such as health and social insurance costs.

On that basis, average weighted EC labour costs will be $18.64 an hour this year – a 6.5 per cent decline since last year in dollar terms – compared with $16.58 in the US, up 7 per cent year-on-year, and $19.05 in Japan, up 18 per cent. For western Europe, including several non-EC European countries, the figure is $19.08.

The gap between European and US labour costs will narrow to 15 per cent in 1993, against 26 per cent the previous year.

Available from Economist Intelligence Unit (Business Europe), Tel: (071) 830 1000.

Izetbegovic undermines Bosnia compromise hopes

By Laura Silber in Belgrade

BOSNIA'S President Alija Izetbegovic at the weekend cast doubt over whether he would endorse a plan for the republic's partition after international mediators failed to win concessions from Serb and Croat leaders.

"Peace is everybody's dream in Bosnia-Hercegovina, but not peace at any price," Mr Izetbegovic told Sarajevo radio on Saturday.

Lord Owen and Mr Thorvald Stoltenberg, the international mediators, accelerated their efforts at the weekend to clinch a deal between the three leaders of Bosnia's rival communities.

"If there is no sign of getting signatures on the agreement then the meeting [tomorrow] may not take place," Lord Owen was quoted as saying. Mr Izetbegovic, a Moslem, played down speculation that he would sign the "compromise" package dividing Bosnia into three ethnic republics unless his mostly Moslem mini-state received more land.

"What was offered in Geneva we rejected and we will reject again if they make the same offer," he said. "I personally don't see it and I told Owen that."

But Serb and Croat leaders at the weekend reiterated their refusal to cede any more land than already agreed at the Geneva peace talks.

The peace envoys met Croatian President Franjo Tudjman and the Bosnian Croat leader, Mr Mate Boban, in an attempt to persuade them to give the Moslems access to Adriatic ports.

But Mr Boban dismissed any possibility of giving up Neum, a fishing port on Bosnia's patch of Adriatic coastline. "We will never concede any Croatian territory," he said.

Fighting appeared to subside yesterday after separate ceasefires came into effect. But Sarajevo radio reported that 15 people were killed and 27 injured in south-western Mostar, where 50,000 Moslems are under a Croat siege.

German insurance plan in disarray

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl's plans to build a new pillar of Germany's social security system in time for next year's elections were in disarray at the weekend, after compromise talks with the opposition Social Democrats were abandoned.

The project for a new multi-billion D-Mark insurance scheme to pay for residential care for the old and handicapped, to be jointly financed by contributions from workers and employers, faces opposition from business and trade unions.

Hopes for a cross-party consensus were dashed by the liberal Free Democratic party (FDP), the minority partners in the ruling coalition, which rejected on Friday any suggestion of renegotiation with the opposition SPD.

Mr Kohl has called the leaders of the ruling coalition for talks today in an attempt to end the dispute, which is beginning to threaten the government's cohesion.

The cancellation of negotiations with the SPD led to bitter recriminations, above all from Mr Norbert Blüm, the employment minister from Mr Kohl's Christian Democratic Union (CDU), and Mr Rudolf Dressler, deputy parliamentary leader of the SPD. Both accused the FDP of breaking its promise to discuss the issue.

At its heart is a promise by the government to compensate German employers for their extra contributions towards the cost of the nursing care scheme – estimated at DM13bn ($8bn) in the first year.

The present proposal, already before the Bundestag, the lower house of parliament, proposes cancelling one day of paid sick leave for workers, thereby reducing the guaranteed payment from three days to two.

That has aroused opposition from the SPD and trade unions, who have announced a "hot autumn" of protest against the plan.

The employers oppose the entire public insurance scheme, saying it should remain a private, voluntary scheme until the economy recovers enough to pay for it. They reject the compensation plan as inadequate, arguing that it would amount to a one-off reduction in their costs, whereas the price of residential care, with a steadily ageing population and ever-shrinking workforce, would increase rapidly.

Without a cross-party consensus, the plan will be condemned to negotiations in a conciliation committee between the Bundestag, where the coalition has a majority, and the Bundesrat, the upper house of parliament where the SPD has a majority. That would delay the plan and leave the final solution in doubt.

The apparently interminable debate over how to finance the nursing care scheme has already been a significant factor in fuelling popular discontent with the political establishment.

MR Steffen Heitmann, Chancellor Helmut Kohl's candidate for federal president when the post is vacated next year, yesterday came under criticism from the Free Democrats, the junior partner in the governing coalition, for remarks he made about the Holocaust, writes Judy Dempsey in Berlin.

In an interview with the Süddeutsche Zeitung daily, Mr Heitmann, justice minister of the eastern state of Saxony, said: "The time has come – now that the post-war period is finally over after German unification – to put this event [the Nazi period] in its proper place." He said the killing of 6m Jews by the Nazis was a unique event, but that Germany "must not have a special role until the end of time".

The Christian Social Union, sister party of Mr Kohl's Christian Democratic Union, still has to decide whether to back the CDU's candidate. But the controversy surrounding Mr Heitmann may persuade the Free Democrats to apply more pressure on Mr Hans Dietrich Genscher, the former foreign minister, to stand, despite his reluctance.

Poland's old guard lures rural voters

Polish elections

POLAND, whose successful free-market reforms are the toast of the western financial community, yesterday was set to elect a parliament with a far-left majority, writes Anne Applebaum in Naklo. To understand why, it helps to visit Naklo, a provincial town of 15,000 people in western Poland.

In Naklo – which has an old market square, a single cinema, a museum which displays memorabilia from the last war and not much else – the advantages of communism's demise seem scarce. Few people here care much about the freedom to travel or the freedom of the press, which have enhanced life for residents of larger cities.

The disadvantages, however, are clear. A series of regional financial scandals have created much resentment; the word "thieves" has been scrawled on election posters of free-market parties.

Like other towns of comparable size, Naklo's economy depends on small, state-owned agricultural enterprises, including a sugar factory and several meat packing plants. Whereas larger state enterprises in more important centres attracted government sympathy and foreign investment, cuts in agricultural subsidies and increased imports have forced many of these small companies to dismiss workers in the name of efficiency. Now, 23 per cent of Naklo's inhabitants are unemployed.

Yet even those who have managed to find new jobs seem to resent making the effort. In small towns people dislike change, even when it appears to have left them better off.

"I am voting for the old communists because the brick factory I used to work in was ruined by privatisation," said one Naklo man, whose grocery shop did not exist four years ago.

Down the street, in a shop selling imitation Teflon frying pans and plastic cutlery, the proprietor said he would vote for the Polish Peasant's party (PSL), formerly allied to the Communist party, because his nine-acre farm had been put out of business by the economic reforms. "The Peasant's party will give bigger credits to farmers, and then I can go back to farming."

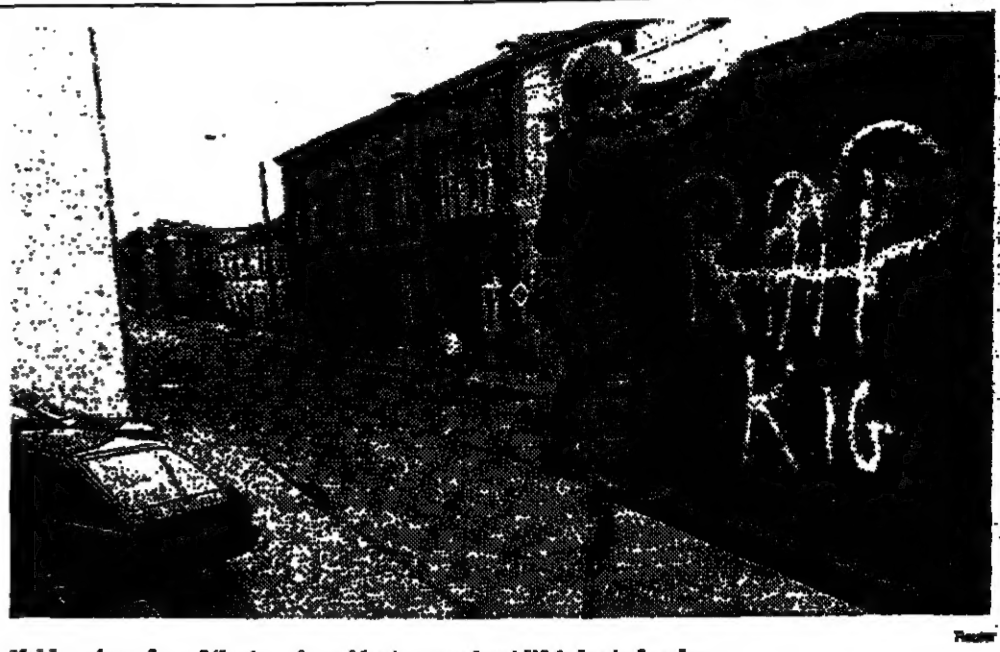
None of those questioned believed the former communists and their allies represented a new form of social democracy.

"I am voting for the former communists because they represent the old nomenklatura, and I am a member of the old nomenklatura," said one policeman.

Those who support economic reform at the national level have done a poor job of marshalling support in the town. Although the former communists still have a local cell, few of the other political parties have local activists; although Warsaw newspapers have changed ownership in recent years, the regional press remains, in Naklo and elsewhere, in the hands of former communists.

So while the former communists represent a clear, familiar option to the inhabitants of the town, the many parties which descend from the former dissident movement represent a confusing cornucopia of ideas, ideals and leaders. In Naklo, the tiny group of anti-communist intellectuals, once united by their membership of Solidarity, are now divided and disoriented.

Thus Mr Janusz Wybranski, a former Solidarity leader, is standing for parliament on the ticket of the Centre Alliance, a descendant of Solidarity's right wing, because he believes his Christian democratic ideals are closest to the old movement.



Reuter

Naklo, where few of the town's residents care about life's basic freedoms

But Mr Janusz Chrzaszcz, a local art collector who suffers from Chekhovian frustration at the absence of intelligent conversation in the town, said he supported the Democratic Union, a party linked with former dissidents which he sees as the party for intellectuals. His wife, meanwhile, chose the Labour Union, the left wing of the old Solidarity movement, because she believes in higher pensions for old people.

Even priests, once the most effective opponents of communism in Poland, can no longer offer clear advice. On election day the local church was overflowing. At the end of mass, those standing at the back strained to hear the priest's electoral advice.

"There are many people running for Poland's parliament who oppose our national traditions and faith, people who are anti-religious and anti-church," he said. "Please keep this in mind as you vote."

While that could be construed as advice to vote against the former communists, it could also be interpreted as opposition to those former dissidents who support abortion rights and oppose religion in schools. Perhaps that explains why church-goers walking towards the polling booths professed support for no less than six different parties.

But the habits of communism are still strong: many of Naklo's inhabitants were not voting at all. Sitting at a local bar one young man said he did not care to go to the polling booths. "I am unemployed so I am not interested in politics," he said. "In any case, I don't see what politics have to do with Naklo."

Anne Applebaum is foreign editor of The Spectator

Rifkind to question Moscow on N-arms

By David White, Defence Correspondent, in Moscow

THE British defence secretary, Mr Malcolm Rifkind, is seeking clarification from Moscow and Kiev about the recent agreement for Ukraine to hand over to Russia its strategic nuclear weapons and its share of the Black Sea naval fleet.

Mr Rifkind arrived in Moscow yesterday. In the first visit by a UK defence minister since the break-up of the Soviet Union, he will meet defence chiefs from both countries this week.

Mr Rifkind said the agreement earlier this month between President Boris Yeltsin and Ukraine's President Leonid Kravchuk left open several crucial questions including the timetable for the transfers and how the agreements were to be ratified.

The nuclear agreement covers 176 intercontinental missiles as well as air-launched weapons based in Ukraine.

Mr Rifkind said the missiles themselves, as distinct from the warheads, also needed clarifying.

Discussions will also focus on joint peace-keeping efforts and Russian attitudes to peace-keeping in former Soviet territories. It was important that any Russian participation should come under an international mandate, Mr Rifkind said.

An agreement on UK assistance for resettling former members of the Russian armed forces is due to be signed today

Doubts surround Yeltsin's agreement on early poll

By John Lloyd in Moscow

MR Boris Yeltsin, the Russian president, has appeared to agree to an early presidential election but has left open the timing of the poll and the law under which it would be held.

His decision at the weekend to call elections contradicts earlier statements that he wished to serve out his term of office to 1996. However, it is unlikely that elections can be held this autumn as there is no majority among regional leaders and the time is too short to prepare for the poll.

Parliament must approve the calling of elections, and as yet there is no agreed electoral law, no deal between the presidency and the parliament on the division of powers and no agreed draft constitution.

Mr Yeltsin also moved to strengthen his position at the weekend by issuing a decree confirming Mr Yegor Gaidar as first deputy premier, appointing Mr Nikolai Golushko as security minister and putting Mr Yuri Skokov, a close ally, in the powerful role of secretary of the Security Council.

Mr Gaidar has repeatedly underscored the need to curb state spending to bring inflation and the budget deficit under control. However, in a call for lower taxation he appears to conflict with the stated aims of Mr Boris Fyodorov, the deputy prime minister in charge of finance.

Mr Yeltsin also stripped General Alexander Rutskoi, the dissident vice-president, of his one remaining right – to stand in for Mr Yeltsin during his absence from the country.

Mr Yeltsin is to continue his series of high-profile visits to military units based near Moscow. In the past fortnight he has visited tank, paratroop and Interior Ministry bases.

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NEWS: INTERNATIONAL

Gloomy outlook for EC steel

By Andrew Baxter

THE EUROPEAN Community's steel industry is benefiting from improved prices and reduced imports from eastern Europe but is still in a "precarious situation," according to a confidential European Commission report.

"No improvement or even stabilisation in steel demand can be expected in the short term, nor is an improvement in the macroeconomic climate or in steel-consuming sectors on the cards," it says.

The "working document" will be reviewed by EC industry ministers at their meeting in Brussels tomorrow, according to Reuters.

The document provides a gloomy backdrop to the meeting, which will discuss the progress of the Commission-backed plan to restructure the industry.

It confirms reports from the big steel producers, which say that demand for steel is still falling in Germany, Europe's biggest market. The only big market where steel demand is rising is the UK.

The Commission's document says a major deterioration in sales on the EC market had only partly and temporarily been offset by an increase in exports, especially to China.

It estimates that crude steel production in the EC will reach 125m tonnes in 1993, down about 10 per cent from 1991. "The financial results of the undertakings will therefore be disappointing and in many cases they will make a loss in 1993," it says.

However, prices are up about 10 per cent from the beginning of 1993, partly because of reduced imports. Steel producers have argued that prices still have to rise further to recoup falls of as much as 30 per cent since 1990.

FT writers assess the likelihood of keeping the farm trade accord intact at meetings in Brussels this week

Hopes rising that deal can be saved

By David Gardner in Brussels

EC FOREIGN, agriculture and trade ministers will today try to refine French demands for a renegotiation of last year's Blair House deal on farm trade into a package Brussels can feasibly negotiate with Washington, but without re-opening the original accord.

France's threat to veto Blair House means that the European Commission and current Belgian presidency of the EC have three priorities for this extraordinary, potentially stormy, and almost certainly lengthy meeting, due to be attended by 35 ministers. They must at all costs avoid a vote, prevent any time-wasting manoeuvres which would wreck chances of meeting the December 15 deadline for concluding the overall Uruguay Round world trade reform process, and insist that the Commission retains its mandate to negotiate with the EC's trading partners without further constraint.

Hopes are rising that several of the French demands, supported by Spain and Ireland, can be accommodated without reopening Blair House. "I don't think there's that much room for manoeuvre, but there is some," Mr Rene' Steichen, EC farm commissioner, told the FT last Thursday.

France's main objective appears to be to safeguard its food, and particularly cereals exports, from Blair House's 21 per cent cut over six years in the volume of subsidised exports. In addition, Paris will eventually need to present to French farmers hostile to the accord what looks like an extensive list of concessions.

The reformed Common Agricultural Policy aims – through big price and production cuts – to get EC cereals prices down to world level by a 1997 target. If it succeeds, food could be exported without subsidy, and therefore without reference to the Blair House restraints. Most of France's demands are aimed at ensuring this target is met.

Politically, however, a strategy to boost competitiveness through price and production cuts is not something Paris can easily sell to its farmers. French negotiators will again, therefore, insist that nothing can be agreed within the world trade negotiations which goes beyond the CAP reform.

The Commission for its part will underline that Blair House protects the CAP from challenge by its trading partners. The full compensation to EC farmers for the CAP price cuts are not treated by the deal as subsidies, and it also contains a "peace clause" through which signatories would refrain from attacking each other's farm regimes.

Reuter

Two of the key players: Ray MacSharry (left) and Frans Andriessen talk to press in Brussels after reaching the accord at Blair House, Washington, last November

France's robust stand will ensure every effort is made, particularly by its traditional ally Germany, to try to find a solution. But Germany's own demands, for further protection for its farmers against a rising D-Mark, risks additional complications.

Until the August 2 decision to float EC currencies within 15 per cent fluctuation bands of the exchange rate mechanism, every realignment since 1984 had pushed up farm prices to follow the movement of the strongest currency. This was designed to protect German farmers, since the chief revaluing currency was invariably the D-Mark. The German currency thereby achieved a "weighting" in the "green" European currency unit which gives the farm Ecu a value now 21 per cent greater than the market Ecu. With realignments now off the agenda, because of the huge fluctuation bands set on August 2, Bonn wants the mechanism restored to pacify its farmers.

This would require potentially large new EC budget outlays, when the farm budget is aleady up against its mandatory ceiling. It would also tie French farm competitiveness to a rising D-Mark, nullifying part of the CAP reform price cuts, which freed French agriculture from prices set for German productivity some 20 per cent lower than its own.

Speculation that Paris and Bonn will press jointly for each other's demands therefore looks shaky, and the UK is leading other northern countries flatly opposed to breaking the farm budget to satisfy the Germans and sweeten any eventual Blair House deal for France.

The main points of Blair House

- Subsidised farm exports to be cut by 21 per cent in volume over six years. Value to be cut by 36 per cent, with internal supports trimmed by 20 per cent.
- EC land for oilseeds production limited to 5.128m hectares.
- Oilseeds for industrial use limited to 1m tonnes.
- 10 per cent of EC oilseeds land to be set aside permanently.
- Compensation allowed to EC farmers for taking land out of production.
- A six-year "peace clause" agreed on outstanding disputes, preventing either US or EC from taking unilateral action against each other on trade.
- Extension to EC agreement to curb exports of subsidised beef to Asian countries.

Farmers make sure French government gets message

By David Buchan in Gatelles, near Chartres

MR CLAUDE CARRE was yesterday back on his farm in Gatelles some 100km from Paris, weary but satisfied.

He was weary after spending the past four days helping to orchestrate Co-ordination Rurale's "blockade" of the French capital. But he was satisfied that although the campaign only resulted in marginal disruption – "we never wanted to lay siege to Paris," says Mr Carré – the French government yesterday restated its threat to veto Europe's farm deal with the US if European Community ministers meeting in Brussels today show no willingness to revise the deal's terms.

If any one organisation is responsible for pushing France to the brink of a veto, it is Co-ordination Rurale, says Mr Carré, who is the movement's deputy secretary general. Formed in 1991 in protest at what it saw as the passiveness of other French farm unions in opposing farm reform in the EC as well as in Gatt, CR has spread its membership to 75 of France's 96 departments.

The government continues to give CR the cold shoulder, partly because of its occasionally violent tactics and partly in deference to the mainstream FNSEA union which fears CR eating away at its membership. For his part, Mr Carré says the FNSEA is the government's lackey and the FNSEA's nationwide demonstration, planned for today, will just be the equivalent of "taking tea with the local [government] prefect".

Mr Carré is quite clear that, if France fails to get satisfaction from its EC partners today, it should veto the so-called Blair House with the US. But what if, as may well happen for reasons of Euro-procedure, there is no motion to attach a veto to today? Mr Carré and many others in France are puzzled by this possibility, having been led by their government to believe that today's Brussels meeting was a showdown.

"If that happens, France should leave its EC chair empty," Mr Carré concludes.

Despite years of support from the unreformed Common Agricultural Policy his village of Gatelles is now left with no shops and nine farms among a population of 180. Yet, these broad wheatlands around Chartres are the Kansas of Europe, and those who farm them ought to be Europe's best equipped to compete with the most competitive in the rest of the world.

True, says Mr Carré, in the sense that the average wheat yield in his department of Eure et Loir is 75 quintals a hectare. This is triple the average US yield. But so, adds Mr Carré, are French investment in fertiliser, interest rates and social welfare charges. "We can't produce at world prices, with French social charges," he insists.

Taking out the accounts ledger of the 250 ha cereal spread he farms with his two sons, Mr Carré estimates his charges for the coming year at around FFr8,300 (£945) per hectare, for which he will probably get a return of FFr6,000-6,500 per hectare (because of the EC's cereal price cut), compared to FFr9,300 last year.

By far, the biggest charge – a total of FFr 488,000 – is what he will have to pay Crédit Agricole on his borrowings of around FFr5m.

He admits that if he and others in France's naturally-blessed wheat belt had not long ago been enticed by high CAP support prices into heavy investment and borrowing, they could have become less indebted, less intensive and equally competitive farmers. But that would require running the film of history backwards. "It's a bit late for that," says Mr Carré. And in the meantime, France has become the world's second largest farm exporter, a perch it does not want to lose.

Commissioner tests water for young jobless scheme

By David Gardner

A EUROPE-WIDE scheme to guarantee the young unemployed skills and work experience will be put forward today by Mr Padraig Flynn, EC social affairs commissioner.

In a speech in Barcelona to European employment agency advisers, Mr Flynn will call for "mainstream Community funding" to complement national schemes for unemployed school-leavers, which he refers to as a new "lost generation".

"We must stop this rot. If we do not, Europe's future into the 21st century is one of irreversible decline and social disintegration, Mr Flynn says.

The scheme would be targeted on the 5m youngsters in the EC with no secondary school or vocational qualification, whose chances of getting a job are four times worse than that of their peers.

Mr Flynn wants Community backing "to reinvent the notion of apprenticeship Europe-wide." His Youth Start scheme, if it won backing from the Commission and member states, would be introduced at national level but co-ordinated at European level, in co-operation with governments, companies, unions, education and training organisations.

It would also be cross-border, with participants taking part in work and training projects, including learning languages, for six to nine months in other EC countries.

The commissioner's advisers acknowledge this is "by no means a fully-fledged policy proposal," but that "we want to see what sort of reaction we get."

"All this would cost money," Mr Flynn acknowledges, but "there is also a huge cost attached to doing nothing. More than anything at this stage, I am looking for political commitment to do better by our youth."

Rabin in surprise Egypt visit

By Julian Ozanne in Jerusalem and James Whittington in Amman

MR Yitzhak Rabin, Israel's prime minister, yesterday flew to Alexandria for talks with Egyptian President Hosni Mubarak.

Mr Rabin's surprise trip came as the government prepared to muster its forces to face right-wing demonstrations and a two-day parliamentary debate over the Israeli-Palestinian peace accord. Over the weekend Mr Rabin and Mr Shimon Peres, the foreign minister, appeared to rule out the possibility of a referendum on the peace deal.

Israeli officials said the Alexandria talks would focus on how Egypt could cement the peace agreement, the possibility of Cairo as a venue for further Israeli-Palestinian negotiations and how to make progress in peace talks with Syria and Lebanon.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, was also in Egypt yesterday where he addressed Arab League foreign ministers but Israeli officials said a Rabin-Arafat meeting was unlikely.

PLO officials, preparing for meetings with Israel, Arab states and the World Bank said they were asking the bank to more than double a $3bn development plan to rehabilitate the West Bank and Gaza Strip. Separately, The Japanese government is considering contributing $100m a year to Palestinian communities according to weekend press reports.

In the occupied territories the Islamic fundamentalist Hamas movement said it had not reached an accord with the PLO, as announced by PLO headquarters in Tunis. Hamas also said it would not participate in elections to a self-rule council and would urge Palestinians to boycott the vote.

Also yesterday, the Jordanian government indicated it may postpone multi-party elections to avoid debate on the Palestinian self-rule agreement from overshadowing other issues.

The elections, due on 8 November, were to be the first since 1956 in which political parties would campaign.

King Hussein and government officials say they fear the elections may become a referendum on the peace process. They also expressed concern that Palestinians who intend to return to the West Bank and Gaza under the PLO-Israeli agreement will distort the result.

Jordan's nationalist parties and tribal leaders have been vocal in their calls for postponing the elections. Head of the nationalist party Al Ahd, Mr Hadi Abdul Majali, argues that either Palestinians who will be allowed to return should have their voting rights relinquished or the elections should be postponed.

Yassir Arafat (centre) entering an Arab League session in Cairo yesterday flanked by Mauritanian Foreign Minister Mohammed Abdul Rahman (left), president of the session, and Esmat Abdel Maguid, the league's general secretary *Associated Press*

'Just about every American consumer product is here'

US goods evade Vietnam embargo

By Victor Mallet, South-east Asia Correspondent

MR Nguyen Xuan Phong's office in Hanoi is pleasantly cool – thanks to a brand new air conditioner made by the US company Carrier.

Mr Nguyen heads the Americas department at the Vietnamese foreign ministry, but his communist government has no formal diplomatic relations with Washington and his country is supposed to be victim of a US economic embargo since the 1975 communist victory in the Vietnam war.

But as the air-conditioners demonstrate, the US sanctions are almost wholly ineffective.

Hanoi businessmen say the US authorities let the air-conditioners go to Vietnam for "humanitarian" use in schools and hospitals, which apparently resold them to the foreign ministry.

Kodak films, Hewlett-Packard computer printers, and even Chef Boy Ardee canned ravioli (microwave-cookable version) are all on sale in Vietnam, although microwave ovens are almost unheard of.

Coca-Cola smuggled from Hong Kong, Thailand, Indonesia, Malaysia and Singapore – sometimes by way of Cambodia or Laos – is available from Vung Tau in the south to the Chinese border in the north. Vietnam uses Boeing airliners leased from Switzerland or Australia and discreetly painted white.

"Just about every American consumer product is here," says Mr James Rockwell, managing director of the Vatico consultancy firm which represents US companies as they wait impatiently for the embargo to be lifted.

"I buy Snickers candy bars, Pringle potato chips and Budweiser beer. I buy American shaving cream and American anti-perspirant."

One local entrepreneur has even opened an Apple computer showroom in Ho Chi Minh City (formerly Saigon), the country's commercial centre, where he sells Apple computers imported from France. Motorola telephone handsets are advertised in the press, but Motorola is forbidden to do business in Vietnam.

Presidents George Bush and Bill Clinton have softened the embargo in the last two years, and last week Mr Clinton allowed US companies to compete for projects funded by international financial bodies such as the World Bank.

But the basic embargo remains in place despite the pleadings of US corporations. They presented a brief report to US congressmen visiting Hanoi recently in which they complained they were losing business to their competitors and pointed out that the sanctions were full of holes and encouraged the use of pirated personal computer software.

"Even the 'American Hotel and Motel Accounting System' is used by the most of the hotels in Vietnam," it said.

The US embargo is particularly difficult to police because it is unilateral – Washington is alone in maintaining sanctions – and because US subsidiaries and joint ventures can be found all over Asia. The presence in the US of some 1m people of Vietnamese origin, many of them eager to do business in their former homeland, makes enforcement even harder.

As Vietnam moves towards a free market economy, there is probably as big a range of US products on sale as anywhere else in south-east Asia. As one cynical US businessman in Hanoi joked: "The Vietnamese have been so isolated they still think American products are good."

World Bank to raise lending commitments

By Peter Norman, Economics Editor

THE World Bank plans to increase lending commitments by up to $3.2bn in its current fiscal year from $26.9bn in the past year to June 30, reflecting the cost of its battle against poverty and the growing financing needs of former communist states.

The bank's annual report, published yesterday, disclosed that both arms of the bank – the International Bank for Reconstruction and Development (IBRD) and its soft loan affiliate, the International Development Association (IDA) – have been authorised to increase lending this year.

The IBRD, which made commitments of $16.95bn in the past financial year, has been empowered to boost its lending commitments to between $17bn and $19.5bn in fiscal 1994. The IDA, which lends funds to the poorest developing nations at very low, subsidised interest rates, is expected to commit about $7.4bn in 1993-94 against $6.75bn in 1992-93. Countries qualifying for IDA credits have incomes per head of $765 or less.

The report contained figures showing how World Bank lending provides business for companies in the industrialised world. The UK, which has provided $6.08bn for the IBRD and IDA since their inception, has won contracts worth $11.2bn in support of World Bank projects, representing a return of $1.85 in orders for every $1 invested in the bank.

In the case of the US, the return has been $1.09 for each $1 ploughed into the World Bank. This compares with $1.01 in the case of Japan; $1.51 for Germany and $1.82 for France.

Total World Bank lending to Europe and central Asia increased to $3.84bn in 1992-93 from $2.14bn the previous year, as 11 former Soviet republics and two of the Baltic republics joined the bank. Russia became the third largest user of IBRD funds, with four borrowings totalling $1.37bn.

The two heaviest borrowers from the IBRD in 1992-93 were China ($2.16bn) and Argentina ($1.96bn); Mexico and India took fourth and fifth places. India was the biggest drawer on IDA, borrowing $1.53bn, followed by China ($1.02bn), Pakistan ($429m), Ethiopia ($371m) and Ghana ($354m).

In regional terms, Africa was the biggest user of IDA finance, taking $2.77bn in 1992-93. But overall World Bank lending to Africa fell sharply to $2.8bn from $3.9bn reflecting the absence of any IBRD lending to Nigeria or the Ivory Coast.

Actual IBRD and IDA lending to the poorest countries (with annual per capita incomes of less than $635) fell last year to $9.96bn from $10.86bn. However, the bank is placing greater emphasis on poverty reduction in its programmes.

World Bank operations ($m)

	1989	1990	1991	1992	1993
IBRD					
Commitments*	16,433	15,180	16,392	15,156	16,945
Gross disbursements*	11,310	13,859	11,431	11,666	12,942
IDA					
Commitments	4,934	5,522	6,293	6,550	6,751
Gross disbursements**	3,597	3,845	4,549	4,765	4,946

*Excludes loans to the IFC
**Includes disbursements from the Special Fund

Source: World Bank

UK urges 'Trinidad terms'

By Peter Norman

BRITISH officials said Mr Kenneth Clarke, UK chancellor of the exchequer, would use his first visit to the annual meetings of the International Monetary Fund and World Bank later this month to call on industrialised countries to adopt the "Trinidad terms" for reducing the official debt of the poorest developing countries. The scheme was first put forward by Mr John Major when he was chancellor three years ago.

The Trinidad terms envisage that the stock of official debt owed to western governments by poor developing nations carrying out market-oriented economic reform programmes should be reduced by two-thirds.

An important aspect of the terms, which were designed mainly to help African countries, is that the reduction should apply to the entire stock of official debt rather than to selected maturities.

Mr Major and Treasury ministers have been campaigning this year for the general adoption of the Trinidad terms by all big industrialised countries.

The US has dropped its objections to the scheme since President Bill Clinton entered the White House.

'Ombudsman' panel in view

WORLD BANK directors are expected to agree tomorrow to set up a new inspection panel to serve both as a form of ombudsman for outside complaints and as an internal check on management, writes George Graham in Washington.

The panel would set a precedent for international organisations to allow outside complaints, although it falls short of some of the demands of US environmental groups, which have been among the World Bank's most vocal critics.

The panel can only hear complaints about the Bank's failure to follow its own procedures or policies, not about the content of those policies. Among other changes, the new draft increases the panel's proposed budget to $1.5m from $600,000, with three panel members, two of whom may initially serve only part-time.

Growth predictions reduced for industrialised countries

By George Graham in Washington

THE International Monetary Fund has again scaled back its forecasts of economic growth in industrialised countries, but expects much stronger activity in the developing world to serve as a locomotive for the world economy.

IMF forecasts to be published this week project world economic growth in 1993 at 2.2 per cent, the same rate as in its last economic outlook in April. But the growth forecast for industrialised countries has been revised down to 1.1 per cent, compared with the 1.7 per cent the IMF expected in April, and 2.9 per cent a year ago.

The forecast for the developing world, however, has improved to 6.1 per cent, against 5.1 per cent.

"It shows you where the locomotives now are in the world," a senior IMF official said, noting developing countries' imports have been growing at a rate of 9 to 10 per cent a year for four years in a row.

IMF officials recognise that their economic forecasts have in recent years proved wildly off target, failing to take adequate account of elements such as the bursting of the 1980s asset bubble in Japan and the US or the structural dimension of unemployment in Europe.

While they believe that the world economy is now not far away from the upswing which at the start of the year they thought would come in the summer, they warn that nations must draw the lessons of the current recession in order to be better prepared for the next downturn.

Funds sought to back low-interest loans

By George Graham

THE International Monetary Fund is looking for contributions worth SDR1.5bn (£1.64bn) from donor countries to help subsidise low interest rate loans to developing nations.

The money would go towards establishing a successor to the IMF's Enhanced Structural Adjustment Facility (Esaf), a trust fund set up in 1987 to lend at 0.5 per cent interest rates to low-income countries with protracted economic problems. The Esaf is due to expire in November.

A senior IMF official said the Washington-based institution was looking for SDR5bn of capital for the new Esaf, in the form of interest-bearing loans from donor countries.

In addition, the Esaf would need SDR2.1bn to finance the subsidy element in its loans. The IMF believes it can contribute SDR500m-600m from its own resources, leaving SDR1.5bn to be culled from donor countries.

"The amounts are sizeable but within reach," the official said, adding that it should be possible to complete negotiations by the end of the year.

The IMF will use its annual meetings, starting this weekend in Washington, as a fund-raising opportunity for the new Esaf, but officials expect to meet a cool initial response from the richest industrialised nations. Some developing countries, however, have said they are willing to participate.

Budget difficulties have made many countries reluctant to dip into their own treasuries, and the UK earlier this year suggested the IMF should sell off some of its own gold reserves to finance the Esaf – a proposal which appears to have been dropped.

China's Mr Zhu pursues creative destruction

IN SPITE of the hype, China's high-speed dash towards economic development is highly unlikely to be affected by the outcome of its bid to host the 2000 Olympic games in Beijing. Much more important for China's future, if currently less geo-politically touchy, is vice-premier Zhu Rongji's attempt to slow its over-heating economy and avoid a hard landing.

It is too early to tell whether he will succeed – Mr Zhu only took over at the central bank in July. But he has wasted no time in using a mix of market and administrative measures to rein in credit creation. Market interest rates have risen by 25 percentage points to around 35 per cent since June; credit quotas for local banks have been cut and all speculative loans to the real estate sector. More than 1,000 special economic development zones have been closed since August and land prices in coastal cities have fallen by between 20 and 30 per cent from their May 1993 peak.

Foreign investors appear willing to give Mr Zhu the benefit of the doubt, at least for now. For, as a new Bank Credit Analyst publication, The China Analyst, points out, utilised direct foreign investment reached a record $9.4bn (£6.1bn) in the first half of 1993, 150 per cent higher than in the same period a year earlier. The BCA forecasts it will reach $18bn this year.

Moreover, there are signs that this tight monetary policy is starting to affect spending and output. Retail sales in August were 23.8 per cent higher than the same month a year ago, down from 26.5 per cent in July. And industrial production is slowing: output in August was 23.4 per cent higher than a year ago, down down from 25.1 per cent in July.

But monetary policy will have to be kept tight for some months yet before inflation starts to slow significantly. According to China's Financial News, consumer prices in the 35 main cities in August were 22.2 per cent higher than a year ago, slightly down from 23.3 per cent in July but still above the 17.4 per cent inflation rate in the first half of the year.

Mr Zhu has quite a task if he is to bring inflation under control and avoid a damaging credit crunch. Managing a price deflation of this magnitude without over-doing the squeeze is difficult enough in a developed market economy in which the levers of monetary policy have relatively predictable effects. But in China's half-reformed economy, with blunt credit quotas the main policy tool, it is much more difficult.

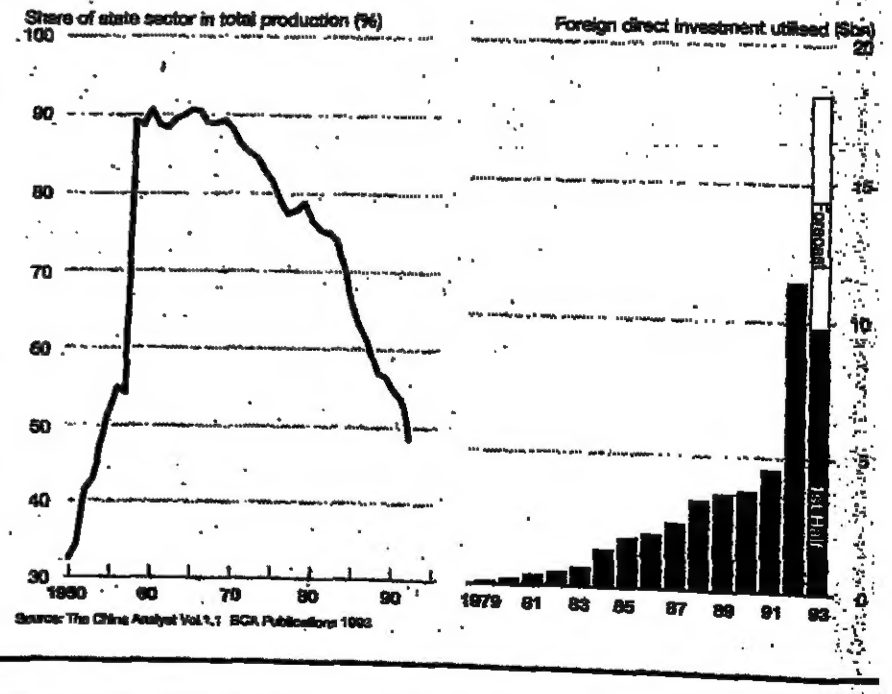
For it is profitable state companies, not bankrupt property developers, who will have to repay their loans to enable the banks to satisfy their credit quotas. The result is first a growing squeeze on corporate profits followed by a liquidity crisis in the state industrial sector leading to the build-up of inter-enterprise debts.

The textbook central bank response in a planned economy, as the Russian central bank is currently demonstrating, is to pump liquidity back into the banking system to keep the state companies afloat, thus laying the foundations for the next inflationary boom. Mr Zhu hopes that this time things will be different, which explains why he is simultaneously trying to push through structural reforms which will preclude such a wholesale bail-out of the state sector, free the state banks to lend only to profitable customers and force unprofitable companies either to be privatised or to go bankrupt.

What China needs is time, to push through these reforms and thus further weaken the influence of the state banks and companies. The share of state companies in total output has, in fact, been falling progressively over the past 30 years – from more than 90 per cent of total production in the early 1960s to less than 50 per cent today – as the left-hand chart shows. The need to go further is one reason why the continued inflow of foreign investment into China is so important, and why a confidence-crushing credit crunch would be such a setback.

Edward Balls

The China Analyst Volume 1, No 1. BCA Publications Ltd, Montreal, Canada. Subscriptions. Tel: 514-398-0653



Source: The China Analyst Vol.1,1 BCA Publications 1993

INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−159.7	0.7823	100.0
1986	230.9	−140.8	−152.7	0.9836	80.2
1987	220.2	−131.8	−145.0	1.1541	70.3
1988	272.5	−100.2	−107.5	1.1833	66.0
1989	330.2	−99.3	−92.2	1.1017	69.4
1990	309.0	−79.3	−72.1	1.2745	65.1
1991	340.5	−53.5	−6.7	1.2391	64.5
1992	345.6	−84.1	−61.2	1.2957	62.9
3rd qtr.1992	80.6	−17.7	−12.9	1.3831	60.1
4th qtr.1992	91.5	−17.4	−18.7	1.2658	64.2
1st qtr.1993	95.1	−21.8	−18.7	1.1920	66.4
2nd qtr.1993	95.3	−25.4	−22.3	1.2069	64.3
August 1992	25.9	−6.2	n.a.	1.4014	59.8
September	27.3	−6.0	n.a.	1.3786	60.2
October	29.4	−5.5	n.a.	1.3210	62.1
November	30.5	−8.3	n.a.	1.2372	65.1
December	31.6	−5.6	n.a.	1.2391	65.3
January 1993	30.9	−6.3	n.a.	1.2132	66.4
February	31.2	−6.7	n.a.	1.1839	66.7
March	33.0	−8.9	n.a.	1.1789	66.2
April	31.5	−8.3	n.a.	1.2214	64.3
May	32.0	−6.9	n.a.	1.2161	63.9
June	31.8	−10.2	n.a.	1.1833	64.5
July			n.a.	1.1349	65.9

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	98.1	75.5	166.58	133.2
1988	219.8	80.7	68.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	93.1	62.9	166.44	137.0
1992	254.8	101.8	89.8	164.05	142.9
3rd qtr.1992	61.5	23.7	20.1	172.79	139.8
4th qtr.1992	65.2	26.9	24.8	155.57	149.7
1st qtr.1993	72.4	29.8	30.2	144.38	158.5
2nd qtr.1993	73.4	29.0	28.3	132.76	172.4
August 1992	19.9	7.4	5.9	177.11	137.0
September	21.1	8.2	7.2	169.05	142.5
October	21.3	8.9	7.7	159.93	148.2
November	22.1	9.1	9.3	153.22	150.3
December	21.7	8.8	7.8	153.57	150.7
January 1993	23.0	8.9	7.3	151.67	151.3
February	23.9	10.5	9.3	142.87	159.2
March	25.5	10.4	13.6	138.61	164.4
April	24.6	9.9	9.6	137.17	167.8
May	23.5	10.1	9.1	134.15	171.0
June	25.4	8.9	7.6	126.87	178.2
July	26.9	11.5	9.9	122.24	181.1

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.4*	*21.7*	*2.2260*	*100.0*
1986	*248.6*	*53.4*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.8*	*39.8*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*
1989	*310.2*	*65.3*	*52.3*	*2.0681*	*113.5*
1990	323.9	51.8	37.2	2.0537	119.1
1991	327.4	11.2	−16.2	2.0480	117.7
1992	330.3	17.0	−19.5	2.0187	121.2
3rd qtr.1992	83.9	6.4	−6.3	2.0221	122.1
4th qtr.1992	82.1	3.5	−4.1	1.9593	125.0
1st qtr.1993	77.2	4.4	−4.8	1.9476	125.6
2nd qtr.1993			−3.4	1.9530	124.0
August 1992	27.7	3.1	−0.7	2.0326	122.0
September	27.8	2.3	−1.7	1.9927	123.6
October	28.6	2.5	−1.3	1.9564	125.7
November	26.8	0.9	−0.3	1.9634	124.0
December	26.7	0.1	−2.5	1.9581	125.3
January 1993	25.4	1.3	−2.7	1.9592	125.3
February	27.5	1.5	−1.9	1.9437	125.8
March	24.3	1.6	−0.2	1.9399	125.7
April	28.2	1.8	−2.3	1.9483	125.5
May			−0.8	1.9546	124.1
June			−0.3	1.9559	122.6
July				1.9463	122.0

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7948	102.8
1987	126.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.5	4.4	2.8	6.8420	106.0
3rd qtr.1992	45.2	0.9	−0.1	6.8536	108.6
4th qtr.1992	45.7	1.1	2.6	6.6529	109.3
1st qtr.1993	42.7	2.5	1.6	6.6067	110.0
2nd qtr.1993				6.6116	109.7
August 1992	14.2	−0.45	0.18	6.8844	106.3
September	15.6	0.49	−0.06	6.7792	107.6
October	15.1	0.11	0.73	6.6368	110.0
November	15.1	0.05	0.23	6.6426	109.0
December	15.4	0.93	1.60	6.6793	108.9
January 1993	13.8	0.57	0.86	6.6437	109.7
February	14.6	0.83	0.58	6.5846	110.3
March	14.2	1.13	0.12	6.5919	109.9
April	14.3	0.89	0.55	6.5875	110.5
May	14.9	1.63		6.6636	109.6
June				6.5842	108.9
July				6.6299	107.0

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.6
1991	137.0	−10.5	−28.9	1531.3	98.9
1992	137.9	−8.0	−20.6	1591.5	95.7
3rd qtr.1992	32.8	0.5	−4.9	1564.6	98.2
4th qtr.1992	34.9	0.0	−3.6	1719.4	87.1
1st qtr.1993	32.4	0.7	−2.4	1839.8	80.5
2nd qtr.1993			−1.5	1814.2	81.2
August 1992	7.7	1.1	−0.7	1543.4	100.1
September	11.3	−1.4	−3.1	1604.1	95.0
October	12.4	0.1	−1.0	1723.8	87.3
November	10.8	−1.2	−2.4	1687.0	88.7
December	11.6	1.1	−0.4	1747.5	85.8
January 1993	9.5	0.4	−1.9	1809.3	82.5
February	10.6	0.1	0.0	1833.6	80.8
March	12.2	0.2	−0.5	1876.4	78.5
April	11.6	1.0	0.3	1871.4	79.0
May			−2.7	1793.2	82.2
June			0.8	1778.0	82.5
July				1796.8	80.8

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	4.7	0.5890	100.0
1986	108.3	−14.2	0.1	0.6708	91.6
1987	112.3	−16.4	−6.4	0.7047	90.1
1988	120.9	−32.3	−24.4	0.6643	95.5
1989	137.0	−36.7	−32.3	0.6728	92.6
1990	142.3	−26.3	−23.8	0.7150	91.3
1991	147.7	−14.7	−9.1	0.7002	91.7
1992	145.1	−18.7	−18.2	0.7359	88.4
3rd qtr.1992	36.4	−4.6	−3.1	0.7261	90.9
4th qtr.1992	34.5	−5.4	−4.4	0.8015	79.8
1st qtr.1993	36.9	−4.4		0.8017	78.5
2nd qtr.1993	37.0	−4.2		0.7862	80.2
1992 August	12.2	−1.6	−1.14	0.7219	92.0
September	11.6	−1.3	−0.87	0.7428	88.2
October	11.5	−1.4	−1.09	0.7989	80.8
November	11.4	−1.7	−1.35	0.8100	78.3
December	11.5	−2.4	−2.03	0.7976	80.0
1993 January	12.4	−1.5		0.7809	80.8
February	12.2	−1.5		0.8179	78.8
March	12.3	−1.4		0.8061	78.2
April	12.0	−1.4		0.7894	80.5
May	12.5	−1.3		0.7855	80.5
June	12.5	−1.5		0.7837	79.6
July				0.7585	81.3

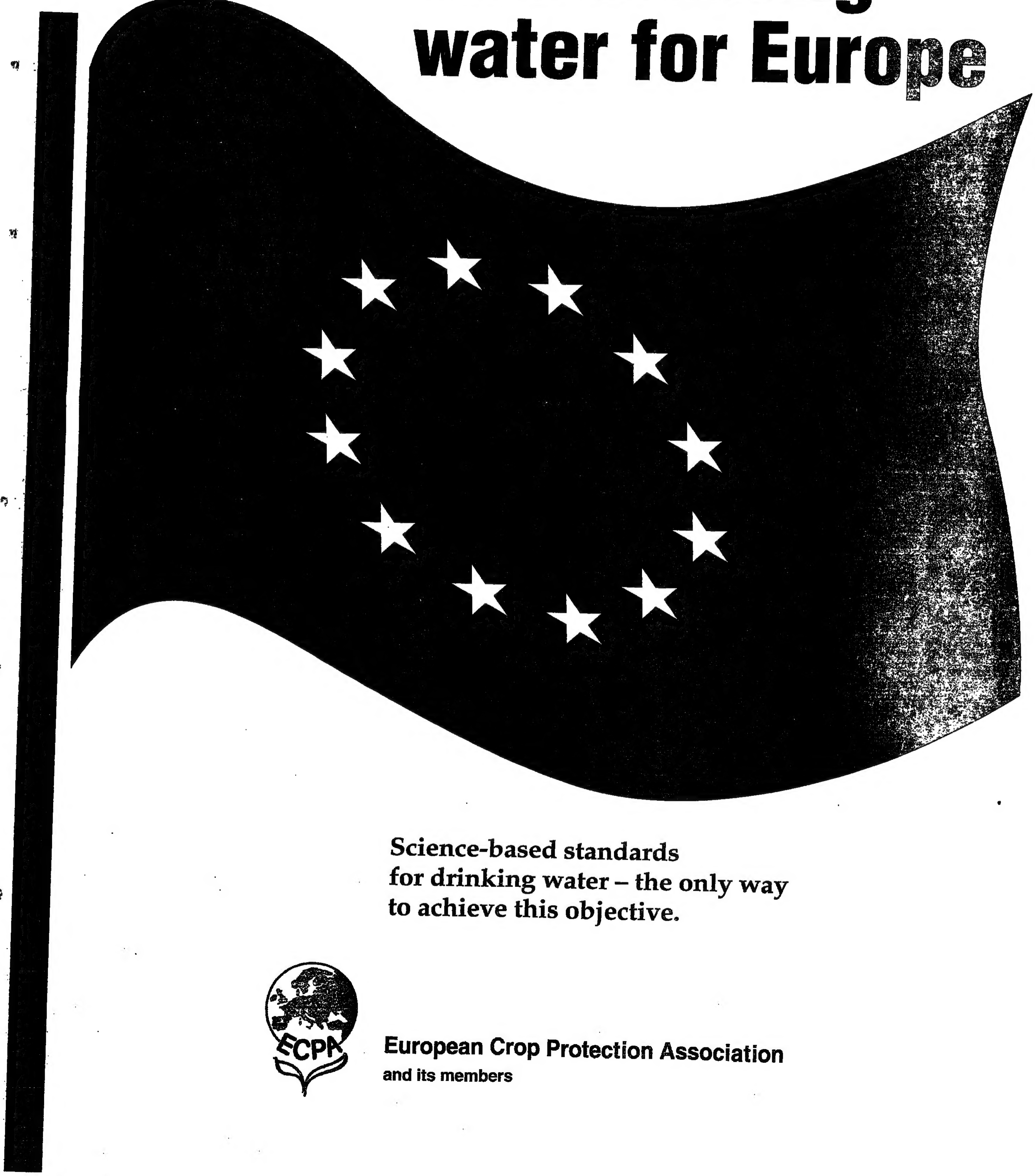
Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free-on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

UK urges 'Trinidad terms'

By Peter Norman

Conference on Drinking Water, organised by the Commission of the European Communities in Brussels on September 23–24, 1993.

Safe drinking water for Europe



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for drinking water – the only way
to achieve this objective.

ECPA

European Crop Protection Association
and its members

Political imperative to end costly hodge-podge

President Clinton formally launches his health crusade this week. Michael Prowse examines why change is so vital

US HEALTH

ON Wednesday President Bill Clinton will formally launch his healthcare reform proposal in an address to Congress. The best way for non-Americans to understand why reform has become a political imperative is to imagine what the health system in the UK, say, might look like if the National Health Service had not been created in the late 1940s.

In the absence of an all-embracing public system, most large companies would have offered health insurance as a fringe benefit, along with corporate pension schemes. At some stage pressure of public opinion would have forced government to set up public schemes to cover particularly vulnerable groups – such as the elderly and the poor – that companies could not be expected to cater for.

The result would have been a hodge-podge.

Some people would be in lavish private schemes financed entirely by employers. Some would qualify for public healthcare. Some – for example, employees of small companies that could not afford to set up corporate health schemes – would not have any insurance. Nearly everybody would face a great deal of insecurity: a job change, for example, might involve acceptance of a less generous insurance scheme; a bad illness might leave an employee uninsurable.

In such a system it would be hard to control costs. If government attempted to reduce spending on public schemes, doctors and hospitals would probably respond by charging private patients more. In emergencies, uninsured patients would have to be treated and the bills would again be passed on in higher fees for privately insured patients. With employers paying for most people's insurance, patients and physicians would have little incentive to economise on treatments or new technology.

This scenario describes what has occurred in recent decades in the US. The government set up two public schemes in the 1960s – Medicare for the elderly and Medicaid for the poor. But most people of working age still rely on voluntary employer-provided health insurance.

Some 37m people (15 per cent of the population) are without insurance cover; most are employees of small companies (or their dependants), and some are poor people who do not qualify for Medicaid.

The absence of an overall budget, such as that which the Treasury imposes on the NHS and the lack of incentives for individuals to ration demand for care, has permitted explosive growth of medical spending. Since 1960 per capita healthcare expenditure has grown at an average annual rate of 4.6 per cent in real terms. Spending has grown from 5 per cent of gross domestic product to 14 per cent, nearly double that in most European countries. Much of this has fallen directly on US employers who complain bitterly that their foreign competitors are not expected to shoulder comparable burdens.

Business spending on healthcare rose from 3.5 per cent to 8.5 per cent of salaries between 1970 and 1990.

Yet although the US spends far more than any other country on healthcare, the results are not particularly impressive. The US has pioneered many advanced treatments yet has one of the highest rates of infant mortality in the developed world. Life expectancy is lower than in many poorer countries. There is evidence that much unnecessary surgery occurs; for example, an abnormally high proportion of births are by caesarian section.

The low apparent return on heavy investment in healthcare has many causes. The reliance on hundreds of private insurance companies, with different rules and procedures, has led to high administrative costs. Physicians have gravitated toward the most lucrative high-tech specialties, leaving primary and preventive care understaffed and starved of resources. The geographic distribution of care is very unequal, reflecting the low profitability of medical practice in inner cities and poor rural areas.

In the 1980s Republican administrations failed to address the emerging crisis in US healthcare. But the soaring financial burden on employers prompted a revolution of sorts in the private sector. To control costs, large companies have increasingly insisted that employees join health maintenance organisations (HMOs) or other forms of "managed care".

An HMO charges a flat annual fee and then guarantees to provide whatever care members need. Physicians in HMOs have a much stronger incentive to control costs than those who charge a separate fee for each item of service – the usual practice in the US. The corporate drive to control costs has resulted in soaring membership of HMOs (and similar arrangements) – from 9.1m in 1980 to 41.4m last year, 16 per cent of the population.

President Bill Clinton's reform will seek to build on the strengths of the US system while importing European-style budgetary controls.

He will provide financial incentives to try to push a larger fraction of the population into HMOs or other forms of tightly managed care. He will seek to replace the current voluntary system of corporate-financed care with a legal requirement that employers pay at least 80 per cent of employees' healthcare costs. And he will try to impose caps on the growth of healthcare spending in the private as well as the public sector.

Reformist zeal: Hillary (above) and Bill Clinton – praised for their "honest effort to deal with a complex subject"

Congressional adversaries find common ground in plan

By George Graham in Washington

THE DEBATE over healthcare reform has carried none of the political savagery that accompanied the battle over President Bill Clinton's budget.

US politicians on all sides have expressed respect for the efforts put in on the issue and have declared their willingness to work together to craft a bipartisan reform.

"President and Mrs [Hillary Rodham] Clinton have spent months putting their proposal together. It is a serious, honest effort to deal with a complex subject," Senator Bob Dole, Republican leader in the Senate, said last week as members of his party announced their proposals for reform.

On the Democratic side, Senator Jay Rockefeller returned the compliment, calling the Republican proposals "a giant step forward".

This gentlemanliness reflects, in part, a growing consensus that the US health system must be reformed – a view that, just two years ago, was held by only a handful in Washington, mostly budget specialists who saw the long-term effects of medical inflation on the government deficit.

But it also reveals a feeling of vulnerability and uncertainty throughout the political spectrum. It is easy to support healthcare reform – along with more than three quarters of the population – but less easy to determine the political pluses and minuses of specific elements of healthcare policy.

Besides Mr Clinton's plan, there are three main competing schools of thought on healthcare reform.

On the president's left, a sizeable number of Democrats favours a single-payer plan along Canadian lines. One of the leaders of this group is Congressman Jim McDermott of Seattle, the only doctor in Congress.

Single-payer systems are viewed by a majority in Congress as dangerously close to "socialised medicine", an unpopular label in a country whose inhabitants are terrified they will be prevented from choosing their own doctors. Even so, advocates of such systems have the advantage of some comprehensive budget analyses, which suggest they offer a greater chance of curbing costs than co-operative purchasing alliances of the sort proposed by Mr Clinton.

On the right, some conservative Republicans in the House of Representatives, and a handful in the Senate such as Senator Phil Gramm of Texas, want to leave healthcare to individuals and the market, helping those who have no insurance with tax-sheltered medical savings accounts.

In the centre, however, there is an emerging majority in Congress which believes any solution must provide universal coverage, both for reasons of equity and to settle one of the key economic problems of the current system: the shifting of costs from those who cannot pay to those who can.

There is a variety of proposals from both moderate Republicans and conservative Democrats that share much ground with Mr Clinton's plan, although they differ on crucial points.

One of the most prominent schemes, unveiled last week and backed by 20 Republican senators, was devised by Senator John Chafee of Rhode Island. Like the Clinton plan, Mr Chafee's proposal would set up healthcare purchasing co-operatives – but these would be voluntary, whereas Mr Clinton would require enrolment of all except those covered by a large company plan.

Mr Chafee would also oblige the individual to buy insurance, where the Clinton plan would place the onus on employers to offer coverage, and to pay for 80 per cent of the premiums.

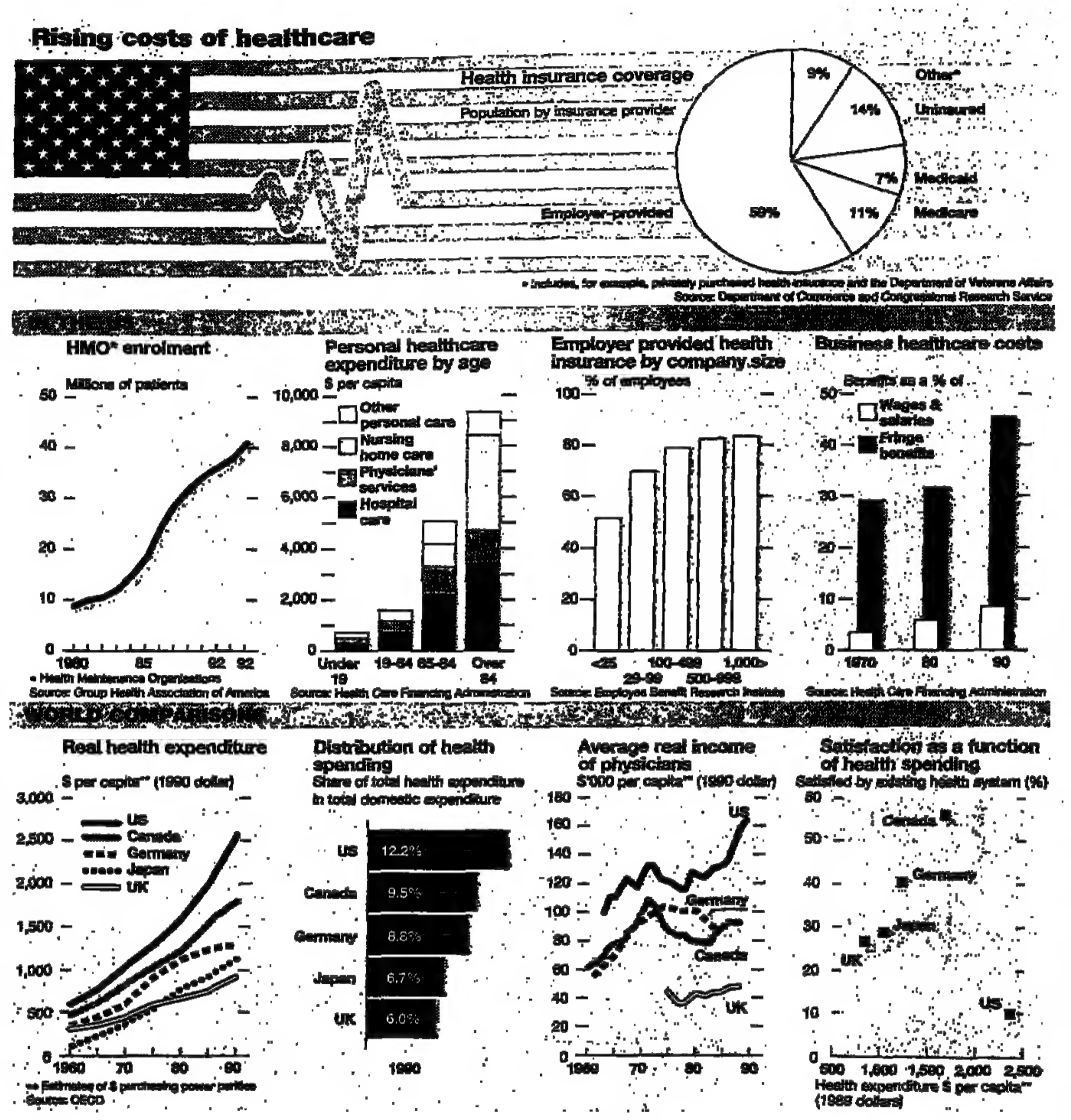
Another Republican version, backed by Congressman Bob Michel, the party's leader in the House, splits the difference by requiring employers to offer, but not to pay for, health insurance.

While Republicans have been critical of the requirement that employers pay part of the premium, they have been careful to state that even this would not make them turn their backs on a deal.

Congressional leaders have begun to take heart at the sight of so much potential common ground. No-one relishes passing such a fundamental reform by the single-vote margins with which Mr Clinton prevailed on his budget.

But the task may grow harder as next year's congressional elections get closer.

The White House plans to send the legislative language for its proposal to Congress in the first week of October, and hopes it may pass early next year, by spring at the latest. Some members believe it may take longer than that.



Guarantee of access for all citizens

DRAFT versions of the Clinton plan propose the following:

☐ Universal benefits: For the first time all Americans would be guaranteed access to a standard package of healthcare regardless of income or employment status. National health security cards would prove eligibility.

☐ Employer mandate: Employers would be required to pay at least 80 per cent of the average cost of insurance premiums for employees although none would be expected to pay more than 7.9 per cent of payroll. Federal government would subsidise small businesses, and help low-paid employees and unemployed.

☐ Health alliances: Most individuals and companies would obtain care via regional purchasing co-operatives known as "health alliances". These public or private sector entities would use market clout to buy high-quality care at the lowest prices from competing "health plans", offered by networks of doctors and hospitals. Companies with more than 5,000 employees would be able to set up independent "corporate alliances".

☐ National Health Board: A federal panel would oversee the creation of health alliances and regulate healthcare. It would set limits for growth rates of private-sector premiums, and government healthcare programmes. Caps on private premiums would aim to cut annual growth of private spending from about 7.5 per cent to 3.5 per cent by 2000.

☐ Managed care: Health alliances would supervise local health plans and facilitate consumer choice with information on prices, physicians and service quality. There would be a choice of traditional fee-for-service medicine, pre-paid health maintenance organisations (HMOs), which restrict choice of doctors, and hybrid schemes. Financial incentives would encourage choice of HMOs, which are seen as more cost-efficient.

☐ Financing: Goal is to finance the extension of health insurance to the 37m without cover and improve healthcare quality without a general tax increase. Revenue would come from new "sin taxes" on cigarettes and alcohol, but main source is projected to come from capping growth of federal programmes, such as Medicare and Medicaid.

☐ Tax reforms: Employer-provided benefits in excess of the federally guaranteed package to be treated as taxable income of employees. Tax changes to be phased in over 10 years. Self-employed would be treated like those in employment, and be able to deduct 100 per cent of the cost of the standard benefits package.

☐ Primary care: Financial incentives would aim to increase proportion of doctors trained as GPs rather than specialists, and to encourage physicians to work in inner city and rural areas.

☐ New benefits: $80bn federal long-term care programme would subsidise nursing home and community care for the elderly and chronically ill. Range of mental health benefits to be expanded, and subsidies offered on prescription drugs.

☐ Timetable: Some states expected to introduce reforms in 1995, but all expected to meet a deadline for setting up health alliances of January 1997. Administrative costs to be reduced by standardising insurance claim forms; health alliances expected to reduce the need for thousands of small insurance companies.

Drugs industry expects to escape lightly

By Paul Abrahams in London

US DRUGS companies face a significant slowdown in earnings growth if President Bill Clinton's draft healthcare proposals are implemented.

Growth in average earnings per share of nine of the top 10 US drugs companies will fall in 1996 to 6.6 per cent, from a previously expected 8.4 per cent, according to Salomon Brothers, the New York-based brokers. Its study excludes Marion Merrell Dow, whose earnings are expected to fall 27 per cent even without the reforms.

The industry as a whole, however, sees the proposed health package as not as bad as it could have been. Most importantly, there will be no direct controls on the price of either new or existing drugs, a measure that was publicly contemplated at one stage by Mrs Hillary Rodham Clinton's healthcare taskforce.

The administration appears willing to give the sector an opportunity to regulate itself. Nevertheless, Mr Clinton is expected to propose the creation of a board to look into the issue of new drugs pricing.

The package is also expected to contain powers for the health secretary to be given the right to exclude from Medicare, the state programme for the elderly, medicines whose prices were deemed excessive.

The proposals also include the government paying a proportion of out-patient drugs for the elderly under the Medicare system. Salomon Brothers estimates this will cost $7.2bn (£4.67bn) over five years.

To pay for these benefits Mr Clinton is proposing the introduction of 15 per cent rebates on Medicare drugs. These would be implemented by July 1 1996. Medicaid rebates for the poor already cost the sector $1.2bn a year, and the Medicare rebates could amount to $2.5bn by 1996, according to Salomon Brothers.

If the rebates are implemented, Salomon Brothers estimates Merck's earnings per share in 1996 would increase 9.5 per cent (instead of 12.4 per cent), Bristol-Myers Squibb's 4 per cent (5.3 per cent), Pfizer's 14.1 per cent (15.6 per cent), Eli Lilly's 4.2 per cent (6.3 per cent), American Home Products' 6.4 per cent (8.2 per cent), Schering Plough's 13.2 per cent (15.2 per cent), Syntex's 0.2 per cent (3.7 per cent), and Warner Lambert's 9.5 per cent (10.5 per cent).

Upjohn's fall in earnings growth would be 2.1 per cent instead of 1.4 per cent, while Marion Merrell Dow's would be 29 per cent (27.4 per cent).

Executives fear increased state intrusion and bigger bills

Business begins to count the cost

Richard Waters assesses the likely impact on American companies, both big and small

US HEALTH

US companies know exactly who will foot the bill if the grand claims made of the Clinton health reform plan fail to materialise. They will.

Mr John Extale, whose Syracuse-based Central New York Building Products employs eight people, is typical of those who might be expected to applaud the plan, but are not. His roofing products company has been hit by escalating health insurance premiums and falling levels of cover in recent years. Annual premiums will cost his company more than $25,000 (£16,230) this year.

By putting a ceiling on the healthcare costs of small companies and forcing them to buy through large "health alliances," gaining advantages of scale, the Clinton plan is meant to help people like Mr Extale. But he is not impressed. "They may put a cap on it for now. But politicians are politicians – what's true now may not be in six months' time."

For many large companies, extra costs would show through in other ways.

Individual states would be able to levy a payroll tax on companies that opted out of the health alliances. Clinton officials have suggested that the premium ceilings for small companies would last for nine or 10 years, and that the payroll tax would not top 1 per cent. But if healthcare costs cannot be reined in, businesses fear these promises would be worthless.

Meanwhile, based on two big assumptions – that the administration's financial projections turn out to be correct and the plan is adopted in its current form – the early draft of the reforms appears to throw up both corporate winners and losers.

The winners would be those which have ageing workforces (generally more expensive in healthcare terms) and many retired workers; the losers, those with large numbers of part-time workers.

The draft proposals circulated so far suggest that big car companies, among others, can look forward to a windfall from the reforms. The government would pick up 80 per cent of the healthcare costs of people who choose, or are forced, to retire early, greatly benefiting defence companies or those like IBM which have had to restructure. Also, there would be a cap on employee healthcare costs at 7.9 per cent of the payroll for all companies, regardless of size.

It is difficult to predict the effect of this cap on companies like General Motors. US healthcare, much of it for retired workers, cost the company $5.6bn last year, adding $1,469 to the cost of every car it produced. That is 19 per cent of its payroll.

With the cost of providing current employees with the basic package of benefits capped, the company's total costs (once additional benefits and retirees are added in) are difficult to predict. GM refuses to discuss the Clinton plan, but other car companies are generally buoyant about the prospects.

"It will have a positive impact on any businesses that have been around for a long time, and those that have been through some sort of restructuring," says Mr Wallace Maher, director of federal government relations at Chrysler. "The overall effect is going to be very beneficial."

Many retailers, restaurateurs and others in service industries are likely to see their healthcare costs rise. That is in part because these industries support a large proportion of small businesses, many of which would be forced to provide cover for their employees for the first time. Also, the Clinton plan requires companies to provide cover for all part-timers who work more than 10 hours a week.

Whatever the outcome on particular companies, there is a widespread fear among big groups that the reforms will lead to greater state intrusion and bureaucracy. Prompted by an escalation of costs in the 1980s, most big companies have already made efforts to hold down the growth in their healthcare bills.

One way of doing this has been to reduce the benefits paid for under company plans and to increase the amount that employees have to pay themselves towards their healthcare cover. Another change has been for companies to buy services through managed care networks such as health maintenance organisations, which hold down costs.

The Clinton plans could interfere with these developments. By forcing companies to pay at least 80 per cent of employees' insurance costs and laying down a minimum package of benefits, the plan would halt the trend for big companies gradually to eat into their benefits packages.

Also, many fear they will be sucked into health alliances (only those employing more than 5,000 would remain outside). And big companies would no longer be exempt from state-level controls on healthcare provision, a freedom conferred in 1974.

For the small companies that already provide insurance for their workers – virtually all those which have more than 20 employees – the changes would in theory reduce healthcare costs. The economies of scale and "community rating" benefits that would come from buying through alliances (insurance companies would no longer be allowed to assess each company on its own claims experience) could lead to lower premiums. Also, premiums would be capped at between 3.5 per cent of payroll costs for low-wage companies and 7.9 per cent.

However, for those businesses which do not provide cover (around half of those which employ fewer than 20 people) the obligation to do so will add to the costs of employment.

Small business lobby groups and many individual businessmen claim this will force companies to lay off workers or to close.

"I'll go out of business, there's nothing else to it," says Mr Bob Hopkins, who employs three people in his car repair business in Syracuse in upper New York state. "There's just not enough money in the business."

SEPTEMBER 20 1993

podge

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Consultant hired to shake up Treasury

By Peter Marsh, Economics Correspondent

THE British Treasury has recruited a £2,000-a-day management consultant to change its organisational culture and increase the effectiveness of top officials.

Ms Wendy Pritchard, who helped to push through changes at big companies including BP, Lloyds Bank and the Norwegian oil group Statoil, is working with top Treasury officials under Sir Terry Burns, permanent secretary.

Sir Terry has hired Ms Pritchard, who runs her own London-based consultancy, after criticism that the Treasury has failed to keep up with modern management methods and has made costly mistakes in monitoring economic change.

Ms Pritchard is known in the consultancy world for working intensively, behind closed doors, with senior managers to discuss how they manage their workforce and relate to each other.

"I find all this [publicity] slightly alarming as I normally try to keep out of the newspapers," she said.

She is described as a "an entrepreneur who acts as general practitioner to top executives," by Mr Richard Beckhard, a New York based consultant who has collaborated with her.

Mr Wally Olins, chairman of design consultants Wolff Olins for which Ms Pritchard worked in the late 1980s said: "She has a terrific understanding of the cultures of big organisations. She is practical, intelligent and very good." Ms Margaret Exley, chief executive of organisation consultants Kinsley Lord, said: "She's one of the best people in her field."

Ms Pritchard is among a small number of people in management consultancy in her field of "change management". A close associate said she would normally charge about £2,000 a day. "This kind of person does not come cheap," he said.

Ms Pritchard has previously been employed full time at Rank Xerox, and at Shell International, where she worked for 15 years and was head of of organisation effectiveness.

She set up her consultancy, Wendy Pritchard Associates, about three years ago. Recently she has advised the Department of Health on how to introduce change into the health service.

Ms Pritchard confirmed she was working for the Treasury but said she could not comment on much she was being paid. The Treasury said it had nothing to say on an internal management exercise.

Treasury officials have been criticised by some politicians and business people for underestimating the seriousness of the recession and misjudging the extent of the assault on the pound last year when Britain was forced to leave the exchange rate mechanism.

The Treasury is drawing up a series of ideas to assist Mr Kenneth Clarke, chancellor, in his efforts to bring down the public sector borrowing requirement from an expected £50bn this year. Among the ideas is to limit public spending or put up taxes in the November 30 budget.

Tories fear loss of Euro-seats to Lib Dems

By Philip Stephens, Political Editor

PRIME MINISTER John Major faces the humiliating prospect that a quarter of the Conservative party's remaining seats in the European parliament could be lost to the Liberal Democrats next May unless the the government improves its standing with the electorate.

A confidential analysis conducted by Conservative Central Office suggests that if this year's local election results were replicated in the European parliament vote next summer, the Liberal Democrats would win eight of the 32 seats held by the government.

The study – pointing to a collapse in the Conservative vote across a swathe of southern England – will provide a further boost to the morale of Mr Paddy Ashdown's Liberal Democrats at the opening of their annual conference in Torquay this morning.

It will reinforce the concerns of up to two dozen Tory MPs in southern and south-western England that their parliamentary seats are imperilled by the steady Liberal Democrat advance.

Mr Major and Sir Norman Fowler, the Tory party chairman, acknowledged during visits to the west country earlier this month that they could no longer brush aside the Liberal Democrat resurgence as a mid-term protest vote. That was followed by decision by Conservative Central Office to start immediately the selection process for the Westminster seats of Bath, North Cornwall and Devon so that the party's candidates are well entrenched by 1996 or 1997.

Mr Ashdown's party holds none of the 78 European Parliament seats in England, Scotland and Wales and its ambitions have so far been limited to picking up perhaps two or three in next year's poll.

The Tory analysis could overstate the threat – the Liberal Democrat performance in local elections tends to be better than in European ones, party because many wavering Conservative voters are unhappy with Mr Ashdown's fervent pro-Europeanism. But senior Liberal Democrat figures suggested that the party might fight next May's election on national rather than European issues to capitalise on Mr Major's unpopularity.

Conservative strategists are talking comfort from the fact that the internal analysis suggests that it would lose at most one seat to Labour, were the local election results to be replicated. The government would also expect to win at least three of the six new seats in the European parliament which will be created before next May's election.

But ministers are aware that the Conservatives' disastrous performance in the 1989 European elections – when Labour won 45 seats – marked the beginning of the end of Lady Thatcher's premiership. Assuming Mr Major survives the present political storms, the loss of a further batch of seats – reducing the Conservatives' representation in the Strasbourg parliament to perhaps a quarter of the total – would be another dangerous blow to his premiership.

The Liberal Democrats are on the verge of breakthrough to the political big time, party leader Paddy Ashdown (right) asserted yesterday. Launching his party's annual conference, he highlighted a survey, by Mori for The Sunday Times newspaper, which showed that the Liberal Democrats had a decisive lead over the Conservatives in the south-west of England, and were making inroads into Tory support in the south-east. The poll found 46 per cent in the south-west supported the Liberal Democrats, with only 30 per cent supporting the Tories, a reversal of the positions at the general election. Mr Ashdown is pictured with Charles Kennedy, party chairman

Britain 'beats the world in techno-wizardry'

By Alan Cane

THE BRITISH may have to grant that the French are best in the kitchen and yield to the Germans in public transport, but when it comes to using technology they are right on the button.

Nearly one in four Britons is a "techno-wizard", according to a multinational survey, which shows they are more comfortable using a computer, tuning a car radio and even programming a video recorder than their counterparts in France and Germany.

Even North Americans, in spite of their greater familiarity with gadgetry, are more prone than the British to "technophobia" – a fear of, and resistance to modern technology – in their lives. About 55 per cent of American adults and teenagers admitted to technophobia compared with only 46 per cent of Britons.

The word processor is clearly set to stay, however. Fewer than a quarter of those questioned – regardless of nationality – look back with nostalgia to manual typewriters.

The survey, carried out by the US computer company Dell, identified a family of techno-types. Techno-wizards want the hottest technology at the cheapest price. Their greatest fear is being behind the times. Techno-boomers want to look smart and research endlessly before purchasing. They are scared of being seen to make the wrong decision. The Techno-to-go category want machines that work straight out of the box. Their greatest fear is being left without support.

Some of the findings reinforced popular prejudices. Men are more comfortable with technology than women, the young more than the old.

But there were surprises. Car phones and fax machines are seen across Europe as complicated and difficult to use, while only half those surveyed were able to programme their car radio into their favourite stations.

The race to host the 2000 Olympic Games will be decided in Monaco on Thursday night between Sydney, Beijing, Manchester, Berlin and Istanbul. FT writers assess the lasting Olympic effect

Manchester will celebrate whatever the outcome

MANCHESTER is going to celebrate even if it loses on Thursday. Unlike its bid for the 1996 Games – when there was little to show for it efforts afterwards – the campaign for the 2000 Games will leave a tangible legacy.

Mr Tim Johnson, a KPMG Peat Marwick accountant in Liverpool who has led the economic analysis of the bid, says £200m of expenditure, supporting 480 jobs, has already been created by the bid alone. More than £70m has come from the government.

Most of the money is going into two big capital projects and environmental improvements which are well under way. A velodrome on the main Olympic site will give Britain its first international standard indoor cycling stadium. This will become the national cycling centre and the sport's training and administrative headquarters.

The other big facility is a £49m indoor arena which is spearheading redevelopment of a bleak area around Victoria Station.

A 20-year contract to run the arena from its opening in 1995 was let in June to Ogden Entertainment Services, the US leisure facilities management specialist, which will use as its European flagship. Ogden sees it as a principal international venue for gymnastics, ice skating, ice hockey, concert tours, conferences and a range of entertainments.

Having these buildings under construction has been crucial to convincing visiting IOC members of the seriousness of Britain's bid for the games. The projects would be mere pump primers should Manchester win on Thursday.

Mr Johnson's team calculates the games would bring £4.1bn of extra spending power into the north-west region, creating 11,145 jobs.

Manchester would have to build a main stadium and a second, smaller arena to go with the velodrome and city centre arena. Liverpool, which would stage the boxing, would build an arena next to the Albert Dock on the waterfront. Swimming facilities would be built in Wigan.

The Olympic village would be needed anyway. Greater Manchester has four universities, a postgraduate business school, a conservatoire and many other colleges. After the games the village would ease chronic accommodation problems for students.

One bonus for Manchester is that its telecommunications and road, rail and air transportation infrastructure is already largely in place. It would not require the scale of investment seen in Barcelona – about half of the $6.7bn Spain put into capital projects. Manchester's direct capital budget would be about £1.5bn.

This is about the same as the aggregate investment by the north-west's manufacturing sector in a non-recession year.

Ian Hamilton Fazey

Barcelona clear on benefits of winning Olympics

IT was the duvet which summed it up, sporting the Olympic colours and lying under the spotlight in the newly-opened Olympic museum.

Just over a year ago, as an emotional Spanish journalist pointed out, it would have covered an athlete who lay dreaming about the Big Moment. Now it was behind glass, a reminder of the Olympic dream. Next to it nestled an official Olympic pillow. Behind it was a matching tooth-mug. Hanging on the back of the door, was the official, fluffy, Olympic athlete's bath robe.

For Barcelona's city leaders, there are loftier momentoes of the 16-day, £6.7bn bonanza that engulfed them last year. Walking around the city one year later it is hard to escape them.

The hill above the city sports a spanking new telephone exchange and sports stadiums. The spruced-up city centre is dotted with new sculptures and litter bins. Meanwhile, city officials can boast a series of statistics to convince the sceptic – or any other city – of the benefits that can be reaped from the spectacle.

One year after the event, unemployment in Barcelona is 10.5 per cent – less than half the Spanish average. The city has become the seventh most popular conference centre in the world. Business and trade is ticking over. The logistics of the Olympics has left the city basking in civic pride over its "project management" skills.

But looking at the lone duvet in the glass case a year later, it is hard to escape a sense of Spanish melancholy.

"When the Olympics happened everyone was so excited. And then it finished and there was a real downturn. Everyone asks 'what now? what was it all for?'" admits an official at Barcelona's port. What, in other words, does a city do with all the stadiums, telephones exchanges and paraphernalia when the athletes have gone home?

Barcelona's leaders themselves, who refuse to reconcile themselves to a return to obscurity, are, like other Olympic cities before them, trying to dream big and turn everything Olympic into something economic.

Across the city, the 5,000 new hotel rooms are being advertised to tourists and would-be conference organisers. The stadium that hosted the gymnastics is used for film shows and indoor windsurfing. The accommodation in the old Olympic village is being sold as 5,500 flats and the former Olympic harbour is now a marina.

Meanwhile, efforts are being made to channel the city's new organisational expertise into service industries and consultancy – delegations from Barcelona have already travelled out to Manchester and other Olympic hopefuls to advise them on how to bid for the games.

So far these delegations have tactfully refrained from commenting on which would be best placed to follow Barcelona's footsteps. "Each city must do it their own way," insists Mr Pasqual Maragall, Barcelona's mayor.

Gillian Tett

SCS

We're always improving our track record

	1990	1991	1992
Sales	19,964	22,964	27,167
Capital Expenditure	10,610	11,827	10,637
Net Profit	1,367	1,413	1,425

The STET Group in billions of lire

At Stet, we treat every project as a challenge, every achievement as a reason to set new goals. It's this attitude to business that confirmed STET as one of Italy's entrepreneurial successes of 1992. The acquisition of Finsiel in Italy and the expansion of our worldwide operations has meant that STET now comprises more than 100 telecommunication companies. The STET Group activities include manufacturing and engineering, network installations, services management and state-of-the-art data management and satellite communications systems. Working together as a group, we are taking Italian telecommunications into the next century. We know where we're going and we're getting there. Fast.

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STET

IRI group

MANAGEMENT

The McCain brothers seemed to have the ideal succession plan but, as **Bernard Simon** reports, they have paralysed the company by falling out

Aged enfants terribles

Harrison and Wallace McCain seemed to be following all the best management principles when they drew up a succession plan for their family-owned potato-chip and frozen-food empire, based in New Brunswick, Canada.

The plan embodied the give-and-take spirit which has marked the brothers' partnership as McCain Foods' joint chief executives since they built their first potato-processing plant on a cow pasture 37 years ago.

It appeared to cover just about every eventuality. Both brothers would retire no later than age 75, unless the board asked them to stay on. If one died earlier, the other would take sole control. The chairman of the company would not be from the same branch of the family as the remaining brother. Wallace and Harrison even picked the head of McCain's UK operation to succeed them in the unlikely event they both died at the same time.

To help identify successors and smooth the transition, the brothers also agreed two years ago to bring four prominent outsiders on to the board of their main operating company. These outside directors were to form a "management resources committee" to recommend who should fill the brothers' shoes.

But carefully worded agreements and a fruitful business relationship spanning more than three decades have not been enough to prevent the sparks flying in the McCain family. A row has blown up between Harrison and Wallace, after Wallace unilaterally appointed his son Michael to head the US subsidiary in October 1990, casting a shadow over the future of a highly-regarded business.

With annual sales of more than C$3bn (£1.4bn), McCain Foods almost doubled its profits last year. The group employs 12,500 people in North America, Europe and Australia, and sells its potato chips, frozen juices, cheeses and processed meats in 60 countries.

The succession dispute has paralysed McCain Foods to the point where the directors of the holding company – all but one of whom are McCain family members – recently voted to oust Wallace as joint CEO and president by the end of this month. Wallace will ask a New Brunswick court later this week to overturn the board resolution. He has also proposed splitting the company into two roughly equal parts. One, to be owned by his side of the family, would comprise the North and South American and Asia/Pacific operations; the other, consisting of the UK and European interests, would be in Harrison's hands.

Each of the McCain brothers appears to have underestimated the other's determination to protect his own interests. An adviser to Wallace says that, in drawing up their succession plan, each brother may have hoped "that the other guy would be the first to go. But then it looks likely that you're the first to go, and you say: 'Good grief, what have I agreed to?'"

A total of 33 McCains are shareholders in McCain Foods. Half-a-dozen younger family members are also active in the business. Wallace's son Michael heads the US operations. Michael's brother Scott is vice-president of production. One of Harrison's sons is vice-president for export sales, another is a business analyst. Allison McCain, son of one of Wallace and Harrison's two dead brothers, is managing director of the UK subsidiary. Until 1991, the boards of the family holding company and the operating company were identical. But as part of the effort to ensure a smooth handover, the family decided to reserve six of seven holding company directorships for members of the younger generation. The chairman, Andrew McCain, runs a small investment company in rural New Brunswick, but has no management or executive experience.

Harrison and Wallace thought they were moving the succession process along by giving their sons and nephews an increasingly active role. But it is hard to escape the conclusion that the participation of so many McCain family members in the business hampered rather than helped the process. Harrison says the close relationship with his brother changed after Wallace promoted Michael. Since then, Harrison says in an affidavit, "an atmosphere of distrust, intrigue and manoeuvring has existed".

Wallace, for his part, alleges that his nephews have made little contribution to the business. One of them, he says, does little more than send him newspaper clippings.

The sour mood created by Michael's appointment and the subsequent flurry of offers and counter-offers among the family shareholders have stalled efforts to identify a new CEO. Although the succession plan was adopted in mid-1991, the committee of outside directors set up to identify up-and-coming talent only began meeting towards the end of last year. The committee's chairman, Arden Haynes, who is the retired head of Canada's biggest oil company, told the brothers last May that the outside directors would not proceed with the search "until the family dispute has been settled".

Wallace's first choice is still to stick with the original plan, which allows him to stay on till the age of 75, and perhaps even beyond. "I am 63 years of age, in excellent health, work long hours and enjoy my involvement in the McCain Group," he says in a recent court affidavit.

Wallace maintains that the four outsiders on the management resources committee will need at least two years to familiarise themselves with the company before attempting to identify successors.

Harrison, who is two years older, underwent heart surgery in early 1992 which kept him away from the office for three months. "Harrison is in poor health," Wallace says in his affidavit. "[He] is jealous that my son Michael may be the heir to the position that he would vacate." Harrison counters that relations between himself and Wallace have deteriorated to the point where the future of the entire company is in jeopardy unless a new CEO is installed soon. "I have reconciled myself to changing my role in the company," Harrison said last month. "I think it's time Wallace did too."

The future of McCain Foods is set to be decided in the courts, causing what Harrison describes as "embarrassment and humiliation to all members of the McCain families". It is ironic that the family might have been spared some of its present anguish if Wallace and Harrison had put tighter limits on their sons' and nephews' role in the business.

TIPS FROM THE TOP

If you don't strike oil fast, stop boring

Sipko Huismans of Courtaulds gives advice on how to make an after-dinner speech

Giving an after-dinner speech usually seems a better idea at the time you accept the invitation than it does when you are just finishing the main course on the night.

This is one of those rare moments in life when a certain amount of humility can be very helpful. The most useful thing I can suggest is to imagine the thoughts going through the mind of one of the dinner guests as the speaker's moment arrives. Who is the speaker? Why is he speaking? What does he have to say that is worthwhile? Will it be boring? How long will it be?

When you get into your subject, find someone in the audience who agrees with you. You will recognise that person when he or she nods at your most profound points.

If you're such a celebrity that your mere presence is an attraction in itself, these remarks do not apply, but my presumption is that few of us businessmen are in the Bill Clinton or Madonna "glamour" class. Even then, be sure that your speech lives up to the glamour image – you can only go downhill from the moment you stand up. Much better to come from behind – "a boring grey businessman". At least then if you are boring, there are no surprises and if you did manage to stimulate and entertain, you're ahead of the game.

I have seen countless articulate and persuasive communicators (and they have to be, to some extent, to have become senior managers in the first place) read out speeches written by newly recruited MBAs in the corporate communications department that are utterly unconvincing.

Whatever you do – do it yourself. If you are dull and without anything original to say, nothing is lost – your true self is revealed. The danger is that you put across an image much worse than reality.

Pick a subject you believe in. Something you can put a bit of passion and emotion into. If the subject you're asked to speak on is dull, do the politicians' trick: answer the question you were not asked – or if all else fails, refuse to do it. Don't get trapped into a speech on "the merits of M1 as a means of measuring the money supply" if you're not a passionate monetarist. And if you are, make it entertaining – over-simplify – use quite inappropriate role models to explain – anything to wake them up and keep their interest. After all, you're there for a purpose: either to persuade them of your point of view, to entertain, or because you're being paid (I've heard of this, but it has never happened to me).

You have to establish a rapport with the audience – the best way is to make them laugh. I've never found the story of the "dog and the two old ladies" funny when delivered by someone who is profoundly unfunny – resist the manufactured joke. The best and safest funnies are told against yourself: you can risk a joke against the haggis (when you're in Scotland) or the cricket team (when you're in England) but don't go too far.

When you get into your subject, find someone in the audience who agrees with you. You will recognise that person when he or she nods at your most profound points. Identify a sympathiser and look for the occasional bit of confirmation of your views.

By all means have a shortlist of topics that you need to touch on, but at all costs resist a written-out speech. You're not the chancellor of the exchequer, whose every word is weighed and re-interpreted. The risk of forgetting something or saying something slightly indiscreet is far outweighed by the risk of being deadly dull and boring.

Look at your audience – you'll know when you've lost them – and it won't be because of what you say but how you say it. And when they're getting bored or you've gone on too long, wind it up fast and sit down. If that happens within minutes of starting, you're on to a dead loser and you had best keep it short.

From then on it is classic stuff – tell them what you're going to say – say it – and tell them what you've just said. Use anecdotes to illustrate the points. Above all, never forget – you're the entertainment.

Thank the host for asking you, thank the audience for listening, and thank heaven it's over and you can get to the port and cigars.

Next Monday: Sir Alistair Grant of the Argyll Group on how to stay close to your customers.

PEOPLE

Shell UK chairman to Vestey

Sir John Collins (left) is leaving his current post of chairman and chief executive at Shell UK to take over as chief executive of the Vestey group, with effect from January next year.

His responsibilities at Vestey will include supervising both long-term strategy and its daily managerial control.

His successor at Shell UK is Christopher Fay (right), who since 1989 has been managing director of both Shell UK and Shell UK's exploration and production, the UK's biggest offshore operator, producing about one-third of the country's oil and gas.

Collins joined Shell International Chemical company as a marketing assistant in 1964, rising through the ranks through a variety of posts and serving in Nigeria and Colombia.

In 1989 he became a director of Shell International Petroleum and a director of Shell UK (Holdings).

He is a member of the president's committee of the *CBI* and also of the Women's Economic Development Target Team, which campaigns to increase female participation in the workforce.

Fay is another long-serving Shell man, having joined Shell International Petroleum in 1970, going to the Netherlands as an offshore design engineer.

Among his many posts with Shell, Fay spent four years in Malaysia, in charge of more than ten start-up structures in the south China sea.

Natwest's Frost chairs LCH

The London Clearing House is rapidly becoming a repository for NatWest's retired top brass.

Tom Frost, 60, who retired as deputy chairman of National Westminster Bank last week, is taking over as London Clearing House chairman from Denis Child.

Child first took over as chairman of the LCH in 1990.

Child, 66, retired as NatWest's deputy group chief executive in 1986 but remains a non-executive director of the bank.

The big four clearing banks each have 20 per cent in LCH; the Royal Bank of Scotland and Standard Chartered each hold 10 per cent.

Welsh Water board moves

- Tony Hales, chief executive of Allied-Lyons, the food and drinks company, and Bob Sellier, chief executive of Y J Lovell (Holdings), the construction group, have been appointed non-executive directors of Welsh Water, the privatised utility.

They replace Iain Evans, who became Welsh Water's chairman in April, and John James, who became engineering services director in June. Those appointments had reduced Welsh Water's non-executive directorships to two, below the level recommended by the Cadbury committee on corporate governance.

- Charles Lindsell has been appointed director of international equities for Prudential Portfolio Managers. He joins Prudential from James Capel Asset Management, where he was chief investment officer.

- Paul Ryan has been appointed finance director of The Oliver Group; most recently he was finance director of Mothercare UK.
- Keith Payne has joined the main board of BET, the specialist support services group, where he is director of planning and director. Paul Griffiths, deputy secretary of BET, succeeds Reg Parry, who is retiring, as secretary.
- The executive committe of the Association of Investment Trust Companies has elected Paul Myners, chairman of Gartmore Investment Management, as its next chairman.

Planners for UK civil disasters

The UK's contingency planning for dealing with serious civil emergencies is passing into new hands.

The responsibility for co-ordinating emergency planning will fall to Rear Admiral David Bawtree, who becomes civil emergencies adviser when Air Vice-Marshal David Brook retires on October 18. Promoting emergency preparedness is now the job of Air Vice-Marshal Allan Blackley, who took over as principal of the Emergency Planning College on September 13 following the retirement of Brigadier John Bettridge.

Bawtree, 55, recently retired from the navy after 38 years' service, during which he was naval base commander for Portsmouth.

His involvement in safety and emergency planning for the navy involved the sort of liaison and co-operation with local and central government that will be his duty to encourage in his new post.

The Emergency Planning College runs courses and seminars to publicise best practice in planning for major emergencies.

Blackley, 55, has 34 years' air force service. He was operational commander of the military search and rescue organisation, co-ordinating air force and naval efforts.

The International Salvage Union, an association of 44 of the world's leading salvage contractors, based in 30 different countries, has elected Okkert Grapow (above), chairman of Pentow Marine, a leading South African marine salvage company, as its new president.

THE WEEK AHEAD

ECONOMICS

GDP data may shed light on recovery

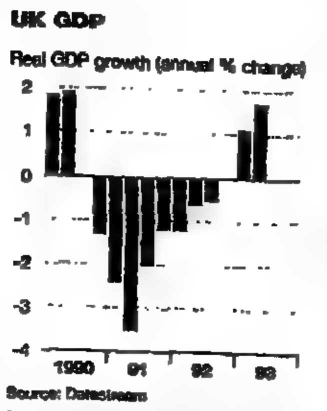
DETAILS of the UK's second-quarter gross domestic growth issued tomorrow by the Central Statistical Office will provide extra material for people worried about the strength of recovery.

The week will also see US data indicating the robustness of the industrial sector, and figures from France expected to underline the weakness of inflationary pressures.

On Thursday the Bundesbank council meets in Frankfurt for its last session under Mr Helmut Schlesinger, the retiring president. The meeting is expected to be taken up largely with ceremonial farewells rather than any serious discussion about further cuts in German interest rates.

On Wednesday the International Monetary Fund will release global economic forecasts in Washington and President Bill Clinton will unveil plans to reform US healthcare.

Later in the week finance ministers and central bank governors from the Group of Seven leading industrial nations meet in Washington to discuss the world economy, as a prelude to next week's annual meeting of the IMF.



Source: Datastream

In the UK, extra information about demand trends will come from details today about bank lending and the latest figures published on Wednesday about trade with countries outside the European Community.

Main events of the week are as follows. Median market forecasts from financial information company MMS International are in brackets.

Today: UK, August M4 measure of money supply (up 0.5 per cent on month, 3.9 per cent on year), M4 lending last month (£2.5bn).

Tomorrow: UK, second-quarter GDP growth (up 0.5 per cent on quarter, 1.5 per cent on year), second-quarter current account deficit (£2.8bn), savings ratio and service industries output, second quarter. US, August housing starts and building permits. Canada, retail sales in July (up 0.1 per cent on month). Australia, July import prices and manufacturing import prices. Japan, July growth in workers' income.

Wednesday: UK, trade deficit in August for countries outside European Community (£775m). France, August consumer prices index (up 2.2 per cent on year). Australia, August vehicle registrations (up 4.5 per cent on year). US, *IMF* biannual forecasts in Washington, Mr Clinton announces healthcare reform package.

Thursday: Germany, Bundesbank council meeting. Japan, markets closed for national holiday. US, unemployment data for week ending September 18, benefits data for week ending September 11, vehicle registrations for September 11-20, money supply data for week ending September 13, Mr Michel Camdessus, IMF managing director, addresses journalists in Washington.

Friday: UK, Confederation of British Industry monthly survey of manufacturing trends. US, August durable goods orders and shipments, August bank credit, release of minutes of Federal Reserve Board's open markets committee meeting of August 17.

Saturday: US, finance ministers and central bank governors from the G7 nations meet in Washington.

Sunday: IMF interim committee and Group of Ten industrial nations meet in Washington.

During the week: Germany, August M3 data. Italy, August bank lending, August M2 data, September consumer prices index, July hourly wages. Belgium, consumer prices index for September. Spain, August budget deficit. Finland, August trade deficit.

Peter Marsh

RESULTS DUE

SHAREHOLDERS in **Spring Ram** await Wednesday's interim results with a sense of foreboding. Mr Roger Regan, the new chairman, has probably ordered a harsh examination of the troubled kitchens and bathrooms group's fortunes after being brought in by institutions following three profits warnings and a share price collapse.

Analysts are in the dark about what figures to expect, but will want to be reassured that no black holes are lurking in the accounts of the fallen stock market favourite.

Tesco, the UK's second biggest grocery retailer, is expected on Tuesday to announce a 6 per cent increase in interim profits from £253m to about £268m. In spite of the expected increase, the figures are unlikely to improve market sentiment concerning Tesco, especially as Mr Archie Norman, chief executive of rival supermarket group Asda, may make further pessimistic observations about saturation in the UK food market at that company's annual meeting on Wednesday.

William Morrison Supermarkets, the supermarket chain based in the north and Scotland, reports on Thursday and is expected to lift pre-tax profits from £36.2m last time to between £43m and £45m. The benefits of tactical pricing, adopted six months ago, should now be accruing, though Asda might have made a small impact on market share. The dividend is likely to be lifted from 0.16p to between 0.19p and 0.2p.

MAI, the financial services group which reports annual profits on Monday, is expected to unveil a 9 per cent increase to about £78m before tax. The growth will have been fuelled by a 20 per cent rise in the wholesale broking arm. Shareholders are expected to be rewarded with a 10 per cent rise in the dividend to 6.6p.

Hays, the business services group, is expected to report full-year profits of about £66m on Tuesday. Analysts had forecast a figure as high as £75m until the interim results in March, which were at the bottom end of expectations. Interest will focus on the pace of recovery in the UK and the group's growing European ambitions, following its acquisition of a German contract distributor in July.

Analysts are undecided about Thursday's half-year pre-tax results for **Guinness**, the brewing company, and have made forecasts of between £305m and £338m, against £353m, for the six months to June 30. A dividend of about 3.7p (3.35p) is expected. The market will be looking for progress in the company's Spanish beer operations, will be watching the price of spirits in a competitive market and will be checking the size of any currency gain.

Fashion retailer **Next** is reporting on Wednesday and interim profits are expected to double from £8.3m to about £17m. Analysts are hoping to confirm that recovery is not faltering, and are expected to quiz management about plans for a joint venture in the US.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Bimec Inds., National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, 11.00
Murray Smaller Markets Tst., 7, West Nile Street, Glasgow, 10.30
Zetters Grp., St. John's House, 53-54, St John's Square, E.C., 11.00
BOARD MEETINGS:
Finals:
Bryant
Close Bros.
Community Hospitals
Hays
Trafford Park Estates
Westminster Health Care
Interims:
Asda Property
Bemrose
Canning (Wm)
Dinkie Heel
Edinburgh Fd. Mngrs.
Meggitt
Morgan Crucible
Refuge Grp.
Sentry Farming
Tesco
Vivat

■ TOMORROW
COMPANY MEETINGS:
AB Consulting, Moor House, 119, London Wall, E.C., 11.30
Excalibur Grp., Excalibur House, Park Lane, Birmingham, 11.00
Park Food Grp., Tranmere Rovers FC, Prenton Park, Prenton Road West, Birkenhead, 12.00
Pifco Hldgs., Stanneylands Hotel, Stanneylands Road, Wilmslow, Cheshire, 9.30
Stamrin, Broadwalk House, 5, Appold Street, E.C., 10.00
BOARD MEETINGS:
Finals:
Frogmore Estates
Intereurope Technology
Mucklow (A & J)
Interims:
BSG
Bodycote Int.
Brake Bros.
Brixton Estate
CI Grp.
Comac
Crestacare
Global Grp.
Henderson Highland Tst.
Herring Baker Harris
John Lusty
MTL Instruments
Mayborn
Tilbury Douglas
Unichem
Wolstenholme Rink
Yule Catto

■ WEDNESDAY SEPTEMBER 22
COMPANY MEETINGS:
Asda Grp., Pudsey Civic Hall, Dawsons Corner, Pudsey, Leeds, 2.30
Coletax & Fowler, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 11.00
TR Smaller Co's Inv. Tst., 3, Finsbury Avenue, E.C., 11.30
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00
BOARD MEETINGS:
Finals:
Alumasc
Barratt Devs.
Pizza Express
Interims:
Appleyard
Dolphin Packaging
More O'Ferrall
Next
SWP Grp.
Spirax-Sarco
Tibbett & Britten

■ THURSDAY SEPTEMBER 23
COMPANY MEETINGS:
Banks (Sidney C.), Bedford Moat House Hotel, Bedford, 12.30
Danae Inv. Tst., 99, Charterhouse, Street, E.C., 12.30
Druck Hldgs., Fir Tree Lane, Groby, Leicester, 12.00
Electric & General Inv., 3, Finsbury Avenue, E.C., 12.30
Firth (G.M.), Teams, Gateshead, 11.45
OMI Int., 1-11, Hay Hill, Berkeley Square, W., 10.00
Stewart & Wight, 1, Hobart Place, S.W., 10.30
Williamson Tea Hldgs., Painters Hall, 9, Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Green (E)
Murray Ventures
Ricardo
Throgmorton Dual Tst.
Interims:
Anglia TV
Autofagasta
Ashley (Laura)
Bilston & Battersea
Dagenham Motors
Donelon Tyson
Erith
Fired Earth Tiles
Foreign & Colonial Pacific Inv. Tst.
Geest
Guinness
Hampden
Hay (Norman)
Highcroft Inv. Tst.
Kinta Kellas
Morrison (Wm) Supermarkets
Quality Software
Secure Tst.
Servomex
TT Grp.
Travis Perkins
Utd. Energy
Utd. Newspapers
Wembley

■ FRIDAY SEPTEMBER 24
COMPANY MEETINGS:
Abtrust Scotland Inv., 10, Queens Terrace, Aberdeen, 12.00
Beales Hunter, Boulevard Works, Radford Boulevard, Nottingham, 12.00
Dyson (J & J), Royal Victoria Holiday Inn, Sheffield, 12.00
Real Time Control, Elton House, Elton Way, Watford, 12.00
BOARD MEETINGS:
Finals:
ECU Tst.
Goodwin
Waterman Partnership
Interims:
Breedon
Fortnum & Mason
Garton Eng.
Hepworth
Holt (Joseph)
Hopkinsons
Lowe (Robert H)
Mowlem (John)
Newarthill
Ticketing Grp.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury Servs. 9¼% Gtd. Nts. 1996 Ecu92.5
Alcan Aluminium $0.075
Christiania Bank Rev. FRN 1997 $1174.56
Eksportfinans 8% Dual Currency Y/$ Bd. 1995 Y80000.0
Enron $0.175
Exchequer 10½% 2005 £5.25
Finsbury Smaller Co's Tst. 0.7p
Gold Int. Fin. Tranche B FRN 2002 Y2029861.0
Do. Tranche C FRN 2002 Y2344110.0
ICI 11¼% Bd. 1995 £562.50
Leumi Int. Invs. Gtd. FRN 1997 $187.29
Marubeni Int. Fin. Euro Yen Gtd. Nts. 1998 Y2000000.0
Nationwide Bldg. Scty. Sb. FRN 2000 £176.09
Sharp Int. Fin. Gtd. Step-Down Cpn. Nts. 1994 Y500000.0
State Elect. Comm. of Victoria 9¼% Gtd. Nts. 2003 $92.50
Sumitomo Realty FRN 1996 Y90083.0
Thames Water 9½% Cv. Sb. Bd. 2006 £237.50
Tokai Fin. (Curacao) Und. Fltg. Rate Sb. Gtd. Nts. Y1364832.0
Toray Inds. 7.2% Nts. 1998 Y360000.0

■ TOMORROW
Commonwealth Bank of Australia 13¾% Bd. 1999 A$137.50
Limited Inc. $0.09
Royal Dutch Petrlm. (Br) FL3.70
Do. (Reg) FL3.70
Tate & Lyle Int. Fin. 5¾% Int. Fin. Gtd. Bd. 2001 £143.75

■ WEDNESDAY SEPTEMBER 22
Arab Banking FRN 1996 $268.33
B'ham Midshires Bldg. Scty. Fltg. Rate Sb. Nts. 2005 £33050.68
Bristol & West Bldg. Scty. Senior Var. Rate Nts. 1994 £152.81
Gold Fields Property R0.18
Gold Fields of South Africa R1.30
Halliburton $0.25
Lawson Mrdn Class A Sb. Vtg. C$0.10
Leeds Permanent Bldg. Scty. FRN 1998 £151.23
Marine Midland Banks Fltg. Rate Sb. Nts. 2009 $134.17
Midland Bank Und. Fltg. Rate Prim. Cap. Nts. Sep.1985 $255.56
Murray Smllr Mkts Tst. 2.65p
Murray Split Cap. Tst. 2.65p
Do. Units 26.5p
Murray Ventures 11.1% Db. 1991/96 £1.64
Nationwide Bldg. Scty. Sb. Fltg. Rate Nts. 2004 £157.53
New Wits R0.35
Oriflame (Reg) 8p
Do. (Br) 6p
Riggs National Fltg. Rate Sb. Nts. 1996 $134.17
Standard Chartered Und. Prim. Cap. FRN £76.40
Thai Prime Fd. Pf. $1.0
Vogels Metal R0.15

■ THURSDAY SEPTEMBER 23
Citicorp Fltg. Rate Sb. Cap. Nts. Sep.1998 $134.17
Colorvision 3.1p
European Assets Tst. FL0.08
Euro Inv Bank 11% Ln. 2002 £275.0
Leeds Permanent Bldg. Scty. Sb. Var. Rate Nts. £167.30
Malvern UK Index Tst. 1.7p
Yorkshire Water 6¾% Snr. Cv. Bd. 2008 £12.04

■ FRIDAY SEPTEMBER 24
American Cyanamid $0.4375
Asian Dev. Bank 10¼% Ln. 2009 £256.25
Britannia Bldg. Scty. Fltg. Rate Nts. 1997 £153.44
Elect. & Gen. Inv. 1.6p
Genesis Emerg Mkts Fd Ptg $0.26
Greenalls 11½% Db. 2014 £5.75
Hercules $0.56
Hill & Smith 2.1p
Int. Bank for Reconstruction & Dev. 9½% Ln. 2010 £4.75
Irish Contl. IR1.0p
Rustenburg Platinum R1.025
Securicor 0.732p
Do. A N/Vtg. 0.732p
Do. 4.55% Cm. Ptg. Pf. 17.395p
Security Services 1.533p
Sidlaw 7½% Un. Ln. 2003/08 £3.75
South African Breweries 7% Gross Cv. Cm. Pf. R0.007
Spain (Kingdom of) 11¾% Ln. 2010 £293.75
Tokyu Land 8½% Bd. 1995 Y425000.0
Treasury 2½% I.L. 2001 £2.2021
Woolwich Bldg. Scty. 11% Nts. 1995 £110.0

■ SATURDAY SEPTEMBER 25
Assoc. British Foods 5½% Un. Ln. 1987/2002 1.375p
Do. 7½% Un. Ln. 1987/2002 1.875p
Marston Thompson & Evershed 10¼% Db. 2012 £5.125
RCO Hldgs. 4.95p
Renold 8% 1st Db. 1991/96 £4.00
TSB Gilt Fd Ptg Pf (Class B) 0.7p
Treasury 8% 2009 £4.00

■ SUNDAY SEPTEMBER 26
Exchequer 12¼% 1999 £6.125
Treasury 13½% 2004/08 £6.75
Vaux 9¾% Db. 2015 £4.9375
Do. 10¾% Db. 2019 £5.375
Do. 11¾% Db. 2010 £5.875

CONTRACTS

Henry Boot rebuilds

Recent contracts awarded to HENRY BOOT total £11.7m and include a contract for the £5.5m refurbishment and modernisation of 192 one-bed flats within four 13-storey blocks in Sheffield. It will include external rain-screen cladding, new heating systems, replacement windows and internal decoration over the 76-week contract.

A second contract valued at £2.2m involves improvement works to 96 maisonettes and bedsits in six blocks, and to 108 adjacent dwellings.

Work has already started on the refurbishment and re-modelling of the fire-damaged Littlewoods Store in Chesterfield. Work on this 14-week contract includes new public areas, staircases, escalators and passenger lift.

Henry Boot has also gained the £1.6m contract for additional work on a new power station site at Little Barford, Bedfordshire, involving mechanical and electrical installation and internal finishing. It will be completed in 25 weeks for GEC-Alsthom.

Single site court house takes shape in Utrecht

PSA PROJECTS has been awarded the contract to design and supervise construction of the Utrecht Court House, a Fl 70m (£26m) project, concentrating the administration of justice in Utrecht on a single site.

The contract was awarded by the development company Maatschappij voor Bedrijfsobjecten NV (MBO), a subsidiary of the Internationale Nederlandse Groep (ING), the largest banking organisation in the Netherlands.

At present, the adminstration of justice in Utrecht is spread across several sites. The 30,000 square metre court house will provide 13 new court rooms and 13 small hearing rooms, with ancillary spaces.

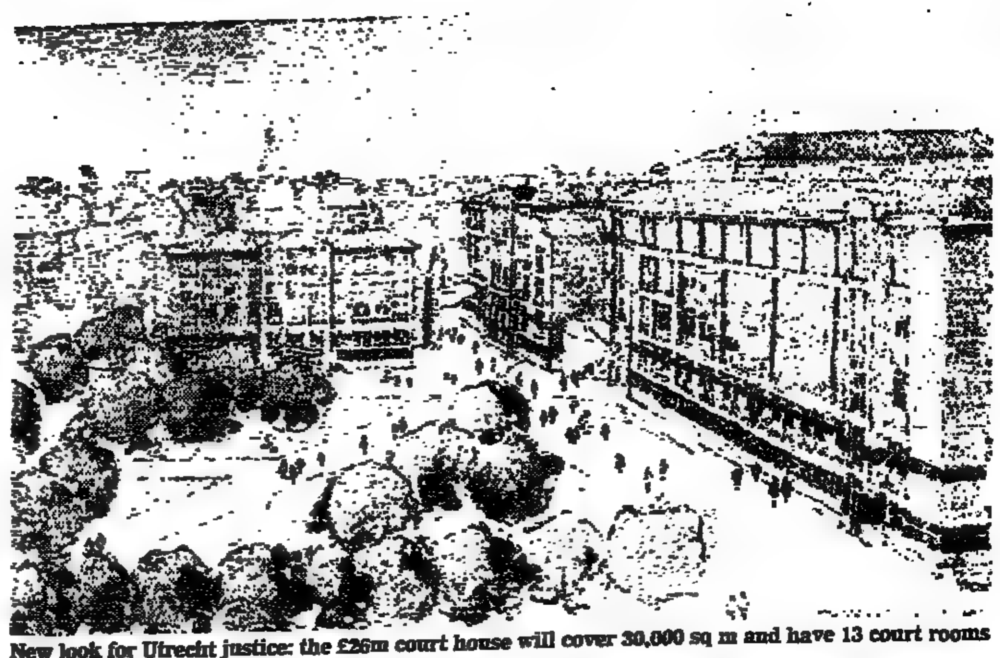
The new court house is to be in the city centre, near the Utrecht Central Station.

It is hoped that the building will improve control, efficiency and convenience.

Since October 1992, a design team from PSA Projects Edinburgh, led by Coin Thorn, has been working with the Rijksgebouwendienst (the Dutch Public Works Department) on a preliminary design and has won the approval of the local planning authority. For this scheme, PSA Projects has teamed up with a local Dutch architectural practice, Buro Schiller.

"Two existing buildings with frontages on to the main street will be retained," says Colin Thom, divisional director at PSA Projects.

"One of these is listed and was designed in the 19th Century by the architect Van Lockhorst for the Anatomy Department of Utrecht University, by which it is still used. A small district power station at the rear of the site will also be retained."



New look for Utrecht justice: the £26m court house will cover 30,000 sq m and have 13 court rooms

IFF £9m deal flavours Amec work

AMEC DESIGN AND MANAGEMENT has won a £9m contract to design, engineer and construct a £9m aroma chemical plant for International Flavours and Fragrances, at its Haverhill site, Suffolk.

The new plant, which will be constructed under a guaranteed maximum price contract will produce Galaxolide TM, a basic ingredient used in fragrances for quality perfumes, washing powders, soap, detergent and other consumer products. It will replace an existing Galaxolide manufacturing facility at Haverhill.

The Amec/IFF design team has incorporated the latest process chemistry and engineering technology, including Batneec and IPC, to ensure that the new plant is more energy and water-efficient and produces less effluent. Construction starts September this year and is due for completion in August 1994.

The new plant will be a significant expansion of IFF's aroma chemicals operation and is the American-owned company's largest investment outside the US. It is anticipated that 90 per cent of the output from the new plant will be used for export to continental Europe, the Far East and America.

Amec is part of the international construction, engineering and development Amec group.

Laing starts RAF job

LAING EASTERN has begun work on a £3.6m contract awarded by the Ministry of Defence.

The contract requires the design and construction of a new headquarters building at RAF High Wycombe.

The 4,000 sq metre, two and three-storey building will be used as offices and as an auditorium.

Work involves constructing a steel frame clad with brick, fitting out the auditorium, all internal finishes and services, parking and the erection of security fencing.

The project is being managed by Tilbury Douglas and architects are Jones Stocks.

Work for the project is expected to be completed by June next year.

Kier wins flyover contract

KIER LONDON, part of the employee owned Kier Group, has been awarded an £8.7m contract to design & build a flyover and roundabout at Garsington Road, Oxford for Oxford Business Parks Limited.

Work comprises the construction of a 1km long three-span precast concrete deck flyover with a total span of 100 metres.

The flyover will be built with concrete abutments and intermediate piers.

The existing roundabout in Garsington Road will be replaced with a new larger roundabout in order to cope with the increased traffic flow to the business park.

Slip road access from the business park will also be provided.

Completion of the flyover, expected in September 1994 will allow an uninterrupted route for vehicles travelling along the Oxford Eastern by-pass.

Structural engineer for the project is Sir Alexander Gibb & Partners.

CONFERENCES & EXHIBITIONS

SEPTEMBER 27-30
FIRE '93
The national conference and exhibition for the whole fire protection profession.
The Scottish Exhibition & Conference Centre, Glasgow.
For Free exhibition admission tickets contact Jane Malcolm-Coe, FMJ International Publications Ltd.
Tel: (0737) 768611
Fax: (0737) 761685
GLASGOW

SEPTEMBER 28-29
FURNACES 93
Exhibition and Conferences.
The event for thermal processing specialists.
St. John's Swallow Hotel, Solihull, West Midlands, England.
For free exhibition admission tickets contact Lorraine Rogers, FMJ International Publications Ltd.
Tel: (0737) 768611 Fax: (0737) 761685
SOLIHULL

SEPTEMBER 28 - OCTOBER 1
Retail Solutions '93
The leading Exhibition and Conference for retail systems, with 200+ exhibitors demonstrating solutions for the business issues facing retailers today.
The conference, with speakers from UK, Europe and USA, includes sessions on Customer Loyalty Systems, Supply Chain Management and RMDP's Review of Developments in Technology.
Contact: Caroline Jackson
Tel: 071 404 4844 Fax: 071 404 0747
LONDON

SEPT 29/30 & OCT 1
The Health of Nations 1993
Health of Nations: Demand, Cost & Efficiency on policy issues and impact on providers, suppliers and investors. James Watson, Rolf Krebs and Lady Cumberlege address this international conference sponsored by The Wall Street Journal Europe, medical, pharmaceutical, health care bodies, consultancies and banks.
Information: Cityforum Ltd
Tel: 0225-466744
Fax: 0225-442903
EDINBURGH

SEPTEMBER 30
Technology, Exploitation and Investment
This one day conference addresses the major issues involved in preparing the business case for investment in technology and new products. For further information contact: Louise Bousfield, Institution of Electrical Engineers.
Tel: +44 (0) 71 344 5467
Fax: +44 (0) 71 497 3633
LONDON

OCTOBER 4 & 5
Inside Saudi Arabia: Society, Economy and Defence
Convened by The Royal Institute of International Affairs. *Sponsored by The Saudi-British Bank, British Petroleum and British Aerospace.* To be held at Chatham House, London. Enquiries: RIIA Conferences, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE.
Tel: 071 957 5700; Fax: 071 957 5710
LONDON

OCTOBER 4-5 & 6-7
Total Quality Management
The Right Way to Manage©
William E Conway
Bill Conway, the first Western CEO to implement the Deming philosophy in the West, will present his Right Way To Manage Seminar. People of all levels can learn from his knowledge and turn philosophy into practice.
Mike Gallimore & Associates Ltd.
Tel: (0621) 858058
Fax: (0621) 850972
BIRMINGHAM

OCTOBER 5
Scottish Treasury Management Conference
This conference has been specifically designed by the Association of Corporate Treasurers in conjunction with The Royal Bank of Scotland plc to promote the role and potential of treasury in business today.
Contact: Charlotte Lambert
Tel: 071 353 2443
EDINBURGH

OCTOBER 5-6
INPOWER 93
... the 9th Independent Power Generation Exhibition and Conference. Kempton Park Exhibition Centre, Sunbury-on-Thames, Surrey. For free exhibition admission tickets contact Lorraine Rogers, FMJ International Publications Ltd.
Tel: (0737) 768611. Fax (0737) 761685
KEMPTON PARK

OCTOBER 5/6
Practical Documentary Credits
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc. credits, handling discrepancies and ICC brochure 400 to clarify understanding of all issues.
£440 + VAT.
Lywood David International Ltd.
Tel: 0959 565830 Fax: 0959 565821
LONDON

OCTOBER 5-6
The Frieghtconnection Conference & Exhibition '93
A conference examining transport reforms and opportunities affecting road & railfreight movements in Europe. Covering combined transport, road charging, railfreight privitisation, channel tunnel developments. Speakers include Roger Freeman MP, Sir Alastair Morton, Graeme Dunlop.
Contact: Iain Dale,
The Waterfront Partnership.
Tel: 071 730 0430
Fax: 071 730 0460
MANCHESTER

OCTOBER 5-7
EDI '93
EDI '93 is the leading European Forum encompassing every aspect of electronic trading. The conference and exhibition will provide full information on the commercial and financial benefits of EDI.
Contact. Lynne Davey, Blenheim Online
Tel: 081 742 2828 Fax: 081 742 3182
ICC, BIRMINGHAM

OCTOBER 7
Intelligent Buildings Today and in the Future
Distinguished experts from the field will present an exciting view into the future of Intelligent Buildings and their likely influence on our lives and businesses. Aimed for strategic decision makers, architects, engineers, property developers, system manufacturers and suppliers, and others.
Enquiries and bookings to Elaine Taylor.
Tel: 021-331 5112 Fax: 021-356 9915
University of Central England in Birmingham
BIRMINGHAM

OCTOBER 7-8
Negotiating Computer Contracts
Anyone who is involved in data processing acquisition - whether selling or buying - is ill advised to do so without a sound contract document, competently negotiated and drafted. This seminar and workshop will provide the basic tools and information necessary to ensure this result.
Contact: Peter Barnes The Infomatics Resources Centre
Tel: 081 871 2546
LONDON

OCTOBER 11 & 12
Opportunities for Trade and Investment in the Russian and CIS Gas Industry
The 2nd Annual Russian Gas Conference. Convened by The RIIA, in association with The Centre for Foreign Investment Privatisation, Moscow, Petroleum Intelligence Weekly and Russian Strategic Services Ltd. Enquiries: RIIA Conferences, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London SW1Y 4LE
Tel: 071 957 5700; Fax: 071 957 5710
LONDON

OCTOBER 11 & 12
Managing the Future
The Management Charter Initiative's (MCI) fifth National Conference will address the practical issues faced by managers as they fight their way out of recession, and look at the skills and qualities that they will need to help their organisations survive and prosper.
Tel: 071-872 9000 Fax: 071-872 9099
LIVERPOOL

OCTOBER 11-13
TRANSFORM - The Systematic Approach to Managing Change
This new course, developed by Robert Gilbreath, world leader in change management, is aimed at executives who realise that success today is dependent on having practical methods and techniques for leading change.
Proudfoot Change Management
Tel: 081 948 8333 Fax: 081 940 8293
LONDON

OCTOBER 11-15
The Kaizen Workshop
See how to improve quality, productivity by up to 50%, by implementing Kaizen in a 'live' factory. 5 days' intensive hands-on experience for senior managers in world-beating production techniques.
"Excellent workshop" (Cummins Engine Co Inc)
Contact: Paul Hancock, Kaizen Institute of Europe
Tel: 071 713 0407 Fax: 071 713 0403
SOUTH WALES

OCTOBER 12
South Africa - Changing Economic Priorities
CBI/UKSASA conference, considers climate for trade and investment following constitutional change. Speakers include Nelson Mandela, Derek Keys and Richard Needham.
Contact: Nicky Martin, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

OCTOBER 12
Urban Road Pricing in Britain
Evening course at The British Library Science Reference and Information Service, 12 October 1993. Time 18.00 - 20.30. Speaker Frank Worsford. Cost £15 plus VAT. Details from Dave DuBoisson, The British Library Science Reference & Information Service.
Telephone 071 323 7470. Fax: 071 323 7947.
LONDON

OCTOBER 12 & 13
Retailing in the 90s
The aim of the meeting is to provide a high-level forum to review the opportunities and challenges facing the industry, consider partnerships and customer needs as well as performance and profitability.
Enquiries: Financial Times
Tel: 071-814 9770
Fax: 071-873 3975/3969
LONDON

OCTOBER 12-14
Raising your productivity through Annual Hours.
One day seminars.
A 'must' for go-ahead companies. Our unique system has achieved remarkable gains. Hear first hand accounts from Tesco Plc and PDO Discs Ltd and learn its scope and application from Britain's leading practitioners.
Contact: Philip Lynch Associates
Tel: (0904) 623703. Fax: (0904) 627538
LONDON & MANCHESTER

OCTOBER 13-15
Object World UK
Ramada Hotel,Heathrow
Sponsored by Coopers & Lybrand and OMG, this event focuses on the cost benefits of Object Technology, achievable through faster software development, extensive re-use and more effective maintenance. A FREE exhibition and seats at FREE Vendor Seminars are on offer. Call now to book a place as space is limited.
Tel: (081) 541 5040 Fax: (081) 974 5188
LONDON

OCTOBER 14
City of London Derivatives Conference
To be opened by Dr Henry Kaufman this Cityforum conference covers the markets, their regulation, maximising their benefits and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation, Swiss Bank Corp, Arthur Andersen and Freshfields sponsor.
Information: Marc Lee, Cityforum Ltd
Tel: 0225-466744 Fax: 0225-442903
LONDON

OCTOBER 14
International Tax Conference
Ernst & Young's annual International Tax Conference, this year on Tax Planning in the Changing Environment, will be held at The Queen Elizabeth II Conference Centre, Westminster.
Contact: Bill Field, Ernst & Young
Tel: 071 931 1313 Fax: 071 242 5862
LONDON

OCTOBER 14-15
Business Performance Measurement: Identifying and managing the drivers of future profitability
A major two-day international management conference on how and why organisations are broadening their performance measurement systems to include drivers of future value such as quality, customer service and human capital
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

OCTOBER 14-15
Rail: On Track for Profit
1993 marks the beginning of the end for state controlled rail monopolies in Europe. The conference will discuss the future of the rail industry, Government directives and profit potential for investors.
For further details contact: Caroline Carter
Tel: 071 779 8793, Fax: 071 779 8793
LONDON

OCTOBER 18-19
Understanding and Implementing Document Image Processing
In this important two-day seminar our team of contributors, led by John Richardson (recipient of the 1993 IMC Education Award), presents an independent and in-depth analysis of current DIP technology and its applications. With DIP applications software now available at under £300 this is a technology you can no longer afford to ignore.
Contact: Peter Barnes The Infomatics Resources Centre Tel: 081 871 2546
LONDON

OCTOBER 18-19
COMEX 93
A three track Mobile Communications International Conference, covering Cellular for the Mass Market, Mobile Data Developments, Wireless Local Loop. Speakers include Jim Norton Radiocommunications Agency, Thomas Wheeler, Cellular Telecommunications Industry Association USA, Alex Arena, Hong Kong Telecommunications.
Contact: Richard Huxley, The Federation of Communication Services
Tel: 081-778 5656 Fax: 081-778 8402
LONDON

OCTOBER 19
Gas Transmission in the 1990's
Second annual conference examining gas transmission today. Topics include: gas industry, structure; tariff design: competition. Speakers from British Gas, OFGAS, Alliance Gas, EC Commission and Independent Advisers.
ICOM conferences: Tel: 0226 290072
LONDON

OCTOBER 19
Joint Ventures - Tax Efficient Techniques
This conference will benefit those considering entering into, or advising on a joint venture, if they want to learn how to maximise the profitability of the exercise and minimise the leakage of unnecessary tax. The conference will conclude with two detailed case studies, which will draw together the various points made during the day.
CONTACT: Vicki Goffin,
IBC Legal Studies and Services Limited,
TEL: 071 637 4383 FAX: 071-631 3214
LONDON

OCTOBER 19-21
Processing and Packaging Machinery Association: PPMA Show
An exhibition dedicated entirely to machinery for those who process and package food, pharmaceuticals, cosmetics, chemicals, beverages, DIY goods etc. Over 400 major machinery manufacturers exhibiting. MANY NEW MACHINES ON SHOW.
Tickets from Bill Lake
Tel: 081-681 8226 Fax: 081-681 1641
TELFORD UK

OCTOBER 20
Financing Your Company's Growth
An essential one-day conference which will brief directors on how to analyse their company's current financial structure and look at alternative sources of funding.
Enquiries: Director Conferences
Tel: 071 730 0022
LONDON

OCTOBER 20
Manufacturing Matters Conference & Exhibition
To raise the voice of manufacturing and examine the options for industry before the new Budget. Speakers: Rt Hon John Smith MP, Neil Johnson, Howard Davies, Ian Gibson, Bill Jordan, Sir Alistair Morton, Pendarell Kent, Dr Ken Edwards.
QE II CENTRE Westminster
Information: Julia Hobsbawm Associates
Tel: 071 267 2565
LONDON

OCTOBER 20
The US Electricity Industry & Global Competition: Investment Opportunities and Regulatory Prospects
CRI conference examines the regulatory changes in the US electricity industry, and reviews the trend of diversification of the UK utilities and the stockmarket's reaction.
Contact: Leigh Sykes, CRI
Telephone: 071 895 8823
LONDON

OCTOBER 20-21
Know Your Competitors
Competitor Intelligence & Analysis inc. Benchmarking.
A practical two day seminar/workshop from the UK's No.1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Dourard
EMP Intelligence Service
Tel: 071-487-5665 Fax: 071-935-1640
LONDON

OCTOBER 25
Downsizing IT: The Management Challenge
A one-day management conference presenting a balanced view of the major factors to be taken into account when seriously considering, planning or implementing a downsizing strategy.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

OCTOBER 25
Activity Based Cost Management Implementation Workshop
Portland Thistle Hotel, Manchester
A hands-on workshop, which will enable those who already know the basic principles of ABCM to apply it with confidence in their own company.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
MANCHESTER

OCTOBER 25
VAT on Publishing - Beyond Domesday
Publishers, consultants and government pundits predict VAT on publishing in November's budget - with profit and job losses resulting. Speakers at this conference will examine why it is happening, what will happen and put forward survival plans. For more information call Clare Tester on 071 434 3711.
LONDON

OCTOBER 28
Workshop on the EC Services Rules: The Practical Implications for Government, Utilities and Industry
An important guide to the implementation and application of the rules, also with reference to legal aspects.
Contact: Amanda Daglish, The Contracts and Procurement Research Unit, The University of Birmingham, Edgbaston, Birmingham B15 2TT.
Tel: 021 414 3221 Fax: 021 414 3217
BIRMINGHAM

OCTOBER 28 & 29
Fund Management - The Issue and Opportunities
Win Bischoff, Haruko Fukuda, James Schlesinger, Alastair Ross Goobey and Stanislas Yassukovich are among the distinguished speakers at this topical conference on a vital industry. Extel Financial and Cityforum sponsor with Sun Microsystems and The City Research Project support.
Contact: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

NOVEMBER 2
Water: Paying for Quality
The 1995 setting of price limits for the decade will cause levels of quality and service standards to come under increasing scrutiny for future investment plans.
Through debate and discussion you will have the opportunity to examine the likely implications, with our distinguished panel of speakers from a cross-section of the industry.
Contact: Claire Meekins, The Economist Conferences
Tel: 071-830 1076 Fax: 071-409 3296
LONDON

NOVEMBER 2-3
"Recognition International 93: Conference and Exhibition
Novotel London, Hammersmith
Europe's largest exhibition devoted to Recognition Technology for Data Entry, Document Management and Publishing.
Virtual Reality International 94: Conference and Exhibition, 1-2 February 1994, Novotel London, Hammersmith.
Europe's premier trade event for VR developers, operators and investors.
Further details from Meckler:
Tel: +44 71 976 0405
Fax: +44 71 976 0506
LONDON

NOVEMBER 2, 3 & 5
Change Management in the Public Sector: A Strategic Planning Approach
Unique one day, participative seminar for senior managers in the public sector. Frontline Management Consultants and Nap Associates will present a detailed approach to managing change and planning future strategy.
Call Rosalyn Ness on 0786 - 450022 or fax 0786 450 045 for details.
GLASGOW/EDINBURGH/ABERDEEN

NOVEMBER 3
Acquiring and Divesting Unquoted Companies
86 Park Lane, London
Practical help and proven techniques for making successful acquisitions and disposals of private companies and subsidiaries of listed groups.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

NOVEMBER 3
UK Airports Policy Post Rucatse
A conference examining runway capacity issues, slot allocation, the planning and environmental aspects of future airport needs and regional airport privatisation. Speakers include the Minister for Aviation, Rt Hon The Earl of Caithness and representatives from BAA, the Dtp, British Airways, CAA, Regional Airports, ERM and Coopers & Lybrand.
Contact: Iain Dale,
The Waterfront Partnership.
Tel: 071 730 0430 Fax: 071 730 0460
LONDON

NOVEMBER 3
Acquiring and Divesting Unquoted Companies
86 Park Lane, London
Practical help and proven techniques for making successful acquisitions and disposals of private companies and subsidiaries of listed groups.
Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

NOVEMBER 8
Successful Outsourcing: The Challenge for I.T.
This one-day conference is specifically designed to help senior I.T. and business managers assess the potential value of outsourcing to their organizations and to identify the factors that contribute to the successful selection and management of such arrangements.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

NOVEMBER 10
Hong Kong Works
A Hong Kong Government/Institute of Directors Conference focusing on the increasing strategic importance of Hong Kong as the international business centre in East Asia. Speakers include the Prime Minister and Governor of Hong Kong.
Enquiries: Director Conferences
Tel: 071 730 0022
LONDON

NOVEMBER 14-16
CBI National Conference
Sessions include - UK Economy, Europe, World Trade, Government/Industry partnership, Training and Employment. Speakers include - Kenneth Clarke, Jaques Delors, Michael Heseltine and John Smith. Contact Special Events department CBI Tel: 071 379 7400 Fax: 071 497 3646
HARROGATE

NOVEMBER 16-17
BPR 93: The 1st annual conference and exhibition on Business Process Re-engineering
Two-day conference outlining the opportunities presented by taking a process view of your business. Senior representatives from leading companies in the US & UK outline how business re-engineering has enabled them to achieve major improvements in corporate performance.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

NOVEMBER 16 & 17
World Electricity
The aim of the meeting, the seventh in an annual series, is to provide a high-level forum to discuss issues of concern to electricity utilities and review developments in a number of key markets.
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3975/3969
LONDON

NOVEMBER 17 & DECEMBER 17
Benchmarking - Organisational Performance & Improvement
A practical one-day seminar/workshop lead by the authors of the Financial Times Business Series book on Benchmarking.
Contact: Sulli Bendell, Services Ltd.
Tel: 0602 455285 Fax: 0602 817137
BIRMINGHAM & LONDON

NOVEMBER 22
Taxation of Financial Instruments
All you need to know about the Taxation of Financial Instruments for Managing Interest Rate and Currency Risks - under discussion will be the 1991 Consultative Document - the new foreign exchange rules - transitional and anti-avoidance rules - the capital market's view of the sweeping changes.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

JANUARY 10-11
How to Become an Effective Selling Organisation
A two day SELLING THROUGH STRATEGY workshop for companies engaged in complex solution sales. Designed for the sales team, support organisation and management.
Enquiries: Barnes Associates
Tel: 0565 755714 Fax: 0565 650950
BOURNEMOUTH

INTERNATIONAL

SEPTEMBER
International Tax Conferences
Ernst & Young's International Conference Calendar:
9 September: International Tax and Insurance, Helsinki
30 September: International Oil and Gas Tax, Amsterdam
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297
HELSINKI/AMSTERDAM

SEPTEMBER 27
US Investment in the New South Africa
One-day conference. US and South Africa government, private sector speakers as well as representatives of African National Congress.
Information: National Foreign Trade Council Foundation
Tel: 212/399-7128
NEW YORK

SEPTEMBER 29
EC Mobile Study
KPMG and Stanbrook and Hooper have completed an Analysis of the Current Licensing and Declaration Procedures for Mobile Communications in member States for the EC Commission. The findings and report of this study will be presented at a public workshop in Brussels.
Enquiries: Jose Toscano, EC Commission
Tel:+32 2 296 8605
BRUSSELS

SEPTEMBER 30
Gazeta Mercantil Seminar
First-hand information on: The coming Constitutional Reform; Privatizations: forthcoming attractive options; New profitable investment prospects; Opportunities. Main Presentations: Fernando Henrique Cardoso, Finance Minister; Pedro Malan, President, Central Bank of Brazil.
Registration: +55-11-257-5941
Fax: +55-11-258-6334
USA/Canada toll free: +1-800-952-4541
Fax: +1-914-665-9699
NEW YORK

OCTOBER
International Tax Conferences
Ernst & Young's International Conference Calendar:
14 October: International Tax Planning, London
25 October - International Human Resources Planning, San Antonio, Texas
28 October - International Tax Planning, Toronto
Contact: Michelle Beard, Ernst & Young
Tel: 071 931 2297
LONDON, TEXAS, TORONTO

OCTOBER 6-8
The Economist Conferences 12th Annual Roundtable with The Government of Turkey
A new generation is taking power in Turkey, spearheading radical changes in relations with Europe. What are the opportunities for international companies? Will Turkish industry handle unfettered competition? Will customs union be reached by 1995? This conference offers you the opportunity to meet directly with the policy makers and access your companies prospects.
Contact: Claire Meekins,
Tel: 071-830 1076 Fax: 071-409 3296
ANKARA

OCTOBER 8
Getting the Best out of Belgium
Executive briefing to help you plan your move to the heart of Europe. Includes legal, financial and marketing issues, also family relocation. Held during the Brussels Welcome Fair - a comprehensive introduction to this truly international community. British Chamber of Commerce in Belgium.
Tel: +32 2 678 4790 Fax: +32 2 678 4791
BELGIUM

OCTOBER 14-15
EUROAID '93 Conference
European Community Aid for Development
Aid Programme opportunities for EC companies (40 billion ECU by 1999) in: Africa, Caribbean, Pacific, Asia, Latin America, Mediterranean, Central & Eastern Europe and CIS.
Contact: Société Générale de Développement S.A.
Tel: +32 2 512 4636 Fax: +32 2 512 4653
BRUSSELS

NOVEMBER 4-5
The Food and Drink Industry in Central and Eastern Europe: Latest Market Trends and Corporate Developments
Speakers include BBDO Europe, Central Europe Trust, CPC, CRAM, Heinz, Kraft, MacDonalds, Oetker, Pepsicola, PROMAII and Vitana.
Contact: Management Centre Europe, Brussels. Tel: +32-2-516.19.87.
Fax: +32-2-513.71.08
BRUSSELS

NOVEMBER 8-9
AMA's Global Finance Executive Briefing
Explore the opportunities of competing in geographically diverse markets. Learn the intricacies and latest trends in global finance from recognized authorities in corporate finance, investment banking, M&A, cross-border buyouts and financial reorganizations.
Contact: Bill Rauschenbach, American Management Association
Tel. (212) 903-7932 Fax: (212) 713-1652
NEW YORK

NOVEMBER 8-10
After the Recession - World Commercial Aviation at the Crossroads
The conference will focus on the great changes that are taking place in the world airline and aerospace industry. The impact of globalisation and multilateralism will be assessed as well as the manufacturers role in meeting future aircraft demand.
Enquiries: Financial Times
Tel: 071-814 9770 Fax: 071 873 3975/3969
DUBAI

NOVEMBER 20
Investing in Vietnam Summit Meeting
Make connections at the highest level at Euromoney's first official worldwide investment summit meeting and dinner on 'Investing in Vietnam'.
The Government of Vietnam wish to meet foreign investors to discuss the opportunities available to exploit Vietnam's natural resources.
Limited tickets available.
Tel: +44 71 779 8609
Fax: +44 71 779 8603
HANOI-VIETNAM

NOVEMBER 30 - DECEMBER 2
ESMA
International Knitwear and Clothing Exhibition. Autumn/Winter 94/95 collections for men, women and children. Reserved for trade only.
For further information, please contact: Fiera Milano, Largo Domodossola 1, 20145 Milan, Tel: (+39 2) 49971 Fax: (+39 2) 4997/7179 or in the UK: OTSA Ltd, Tel: 071-486 1951.
MILAN

NOVEMBER 25-26
International Pharma Marketing Conference
"Optimising Pharma Product Portfolios in a Period of Slow Growth". This international conference for senior pharma marketeers focuses on a highly promising optimisation strategy: product portfolio optimisation.
Contact: Management Centre Europe, Brussels. Tel: +32-2-516.19.87
Fax: +32-2-513.71.08
BRUSSELS

NOVEMBER 29-30
"Sub-Saharan Oil & Minerals"
Ministerial level speakers and delegations from most sub-Saharan countries. A major investment conference co-hosted by Europe Energy Environment, gabonese Ministry of Mines & Energy, Nigerian National Petroleum Corporation, Sonangol & SA Chamber of Mines.
For details contact: EEE Ltd
Tel: +44-71-493 4918;
Fax: 44-71-355 1415
CAPE TOWN

DECEMBER 1-2
2nd Euro-Italia Financial Services Conference
Theme: From Wholesale to Retail: Reinventing the bank. Subjects: Retail banking, Small business banking Payment Systems, Cards, Marketing Human Resources.
Speakers: Experts from Italian and international financial institutions.
Contact: Catherine O'Reilly, Lafferty Conferences on tel: (+353 1) 671 8022 or fax: (+353 1) 671 3694.
MILAN

DECEMBER 1-3
EC - Korea Electronics Industries Forum
Dynamic reforms in Korea offering growing business opportunities for EC companies - a multi-dimensional programme organised by the European Commission and the Electronics Industries Association of Korea (EIAK).
Comprising: Plenary Meeting, Technical Presentations/Workshops, Bi-Lateral Meetings, Poster Sessions, Industrial Visits, Secretarial assistance and more.
Contact: EC Secretariat, London
Tel: (+44 81) 660 7290
Fax: (+44 81) 660 7971
SEOUL

هكذا من الأصل

Kier wins flyover contract

ARTS

Piano competition/**David Murray**

The 'wrong man' wins at Leeds

There was a melodramatic surprise-ending to the final round of the Harveys Leeds International Pianoforte Competition this weekend: on the official jury's vote, the wrong man won.

Popular myth says that Leeds often picks the wrong man (no woman has won yet). But popular myth is wrong: since the 1966 contest, when Hans Keller detonated a public row about his fellow-jurors preferring flashy Rafael Orozco over the deeply musical Victoria Postnikova, there have been just two years, 1981 and 1984, when there was serious doubt about the winner's superiority – *arguable* superiority, anyway – to some of the runners-up.

This time, however, the lucky "wrong man" was Ricardo Castro, a 28-year-old Brazilian with strong fingers and sound tempi, good sense and good taste, but little evident personality. For the finals he chose Beethoven's monumental "Emperor" Concerto – a strange competition-choice. Alone among Beethoven's piano concerti, it was not composed for himself as soloist, for by then he was deaf. Roughly speaking, either you can play it or you can't (Castro could); if you can, it still takes a major artist to give it an individual stamp, and this pianist did not.

Just as in his semi-final recital – his excellent Schumann let down by an un-buoyant finale, his thrill-free Liszt – Castro met all the requirements creditably but delivered no bonuses. Nothing to challenge the wit and brilliance of Leon McCawley's Beethoven First; still less the mature breadth, power and deep feeling of Mark Anderson's Brahms First; and both those artists had offered memorable playing in the semi-finals too.

Either the jury (mostly piano-teachers, including Castro's own) was prescient beyond our ken, in which case he may learn to open up and become exciting while he fulfils all the engagements that now await him; or else, as one suspects, he was a compromise choice.

BBC2 outdid itself. Do viewers realise how vastly better such BBC coverage is than comparable TV elsewhere? The camera-work was faultless, the editing geared faithfully to the progress of the music (director: Rodney Greenberg). The composer Michael Berkeley was again a canny, sympathetic presenter, the pianist Paul Crossley a perceptive – and bracingly candid – unofficial assessor of the performances.

Mischievously, BBC2 held its own phone-in ballot: of about 35,000 votes 12,000 went to Anderson, 10,000 to McCawley and 6,000 to Maxim Philippov – but Berkeley was too polite to report the remainder.

Young Philippov played Rakhmaninov's Third Concerto with splendid passion and very few rough patches, more impressive than most of his solo recital earlier. Justifiably, he won the Rakhmaninov prize donated by the composer's grandson. Margarita Schevchenko was charming in the Beethoven First, still employing her all-purpose expressive manner (after the climactic note in most phrases a swift wilt, ever so delicate). Filippo Gamba offered a sturdy Beethoven Third, somewhat dour. For all these pianists Rattle was a superbly supportive, creative partner – abetted by the CBSO's first oboe, who is a treasure.

Architecture/**Colin Amery**

A Victorian lesson for 2000

The contrast could hardly be greater than between the state of Britain at the end of the 19th century and its condition today. It is especially interesting, therefore, to look at what architecture of that period was trying to express.

In 1900 Britain was coming to the end of a colossal wave of public and municipal building in the capital and the provinces. Law courts, public libraries, police stations, boarding schools, polytechnics, cathedrals and universities were being built throughout the land. In London the Imperial College of Science, the Victoria and Albert Museum, County Hall, the extension to the British Museum and the Old Bailey were all built between 1890 and the turn of the century. Architectural competitions were commonplace and the 10,700 architects on the census return of 1901 were all fully employed within Britain and its empire.

Today there are around 25,000 architects and more than a third are unemployed. After two world wars and the end of a great empire, there is almost no significant public building programme. A great project, such as the Channel Tunnel, is likely to be left with no grand terminal and there are unlikely to be public funds for significant building projects to mark the millennium.

These thoughts are prompted by a fascinating exhibition that has just opened in London of the work of Arthur Beresford Pite (1861-1934). The exhibition, at the Royal Institute of British Architects Heinz Gallery, has been sponsored by The Prince of Wales's Institute of Architecture, Price Waterhouse and the Institute of Chartered Accountants.

Pite is a forgotten figure, his reputation overshadowed by great contemporaries such as Sir Edwin Lutyens and Charles Rennie Mackintosh. He was a teacher and practitioner and his words, when he spoke at Riba in 1900, could easily have been spoken today. "When the lamp went out, there was no residuum of framework or principle, only the inchoate notion of the wild but real beauty of all old work and a new delight in an unaffected stylessness of difficult simplicity." Pite was worried that the craftsmanship he admired in architects and designers such as William Morris and Philip Webb could never be adequate for the demands of 20th century building. Pite's own work – and his built oeuvre is quite small – shows that he brought an intense and odd individuality to his designs while trying to link them to established traditions. He was not looking for history to copy. He wanted his work to be based upon what he called "intelligent archaeology" to provide modern architecture with a "vitalising background", which he rightly felt was missing.

Pite was a brilliant draughtsman, so this exhibition is well worth seeing for the quality of his drawings alone. He leapt to fame on the strength of one remarkable drawing, "A design for a West End Club House", which won him *the Soane Medallion in 1882* and was exhibited at the Royal Academy that year. It is a wild gothic fantasy with overtones of Nuremburg and Albrecht Durer. It has a magical quality that was

Bold experimenter: Pite's work in London includes the Piccadilly end of the Burlington Arcade

rarely to appear in his built works. His drawing skill led him naturally to become a good designer of patterns for materials and of furnishings.

His surviving buildings are few and mainly in London. Christ Church, Brixton Road in south London, is an extraordinary Byzantine Romanesque structure, cruciform in plan, with a broad dome. The triumph of the interior is the inscription by the great lettering designer Edward Johnston. This lettering covers the pendentives of the dome and is so well spaced and organised that its appearance convinces you that *what it says is true.*

Pite's architecture has that same kind of integrity. It convinces by the boldness of its experimentation. Look at his London, Edinburgh and Glasgow Assurance building in Euston Square, which is next door to the Greek neo-classical St Pancras church – Pite's building is designed to be a sympathetic neighbour. In his Marylebone houses, 37 and 48 Harley Street and 82 Mortimer Street, he brings sculpture and architecture together in a powerful combination. The great virtue of his building for the Institute of Chartered Accountants off Moorgate, which he designed with John Belcher, is that the whole facade is an exercise in sculptural architecture – much helped by the quality of the sculpture by Hamo Thorneycroft and Harry Bates. *One of his most visible* and enjoyable compositions is the Piccadilly end of the Burlington Arcade – notice the tiny sculptured figures nestling in the central volutes and the powerful, strange smiling giants that guard the entrance.

Much of Pite's major work is abroad. He designed the Anglican cathedral at Kampala, a church at Entebbe in Uganda, and English churches in Safad, Bucharest, Warsaw and Jerusalem.

He is a difficult architect but one that repays study. He is a classic example of turn of the century individualism and the lesson to be taken from his work and teaching is that it is possible to be experimental and contextually tactful at the same time. A good lesson for those architects who are still employed *to remember in the year 2000.*

Riba Heinz Gallery, 21 Portman Square, London W1 (until October 23).

Opera/**Richard Fairman**

L'italiana in Algeri

My abiding memory of Marilyn Horne will be of a curtain-call at Covent Garden a couple of years ago. Amid enthusiastic applause there was one man who kept booing insistently from upstairs. The redoubtable Miss Horne marched to the front of the stage, stopped the applause and defied him to "Come on down!" – then, having silenced him, raised her fist in the air and marched off in triumph.

That was at a performance of Rossini's *La donna del lago*. Sadly we shall not be seeing any more of Marilyn Horne in her famed Rossini roles. The Royal Opera's revival of *L'italiana in Algeri*, which opened on Saturday, is her last Rossini opera on stage, not just in London, but anywhere. For more than 30 years she has been a formidable heroine (and hero in trousers) in so many of this composer's operas, expert at knowing how to shape his slow music, exciting in the coloratura, ready to fire her booming chest register like a cannon when she was roused.

Most of those facilities are still available to her, though she has to husband her resources carefully these days. Top notes have to be approached very gingerly and phrases that move up through the voice are apt to waver out-of-tune. To the qualities outlined earlier, I would add here that she has the gift of keeping the longest vocal lines going somewhere and that her exactitude of rhythm is exemplary. Decades of polishing each Rossini semiquaver have kept them sparkling as new.

As the Italian girl in Algiers, she gives a star performance, with all that that implies. Mobility is visibly painful for her, but Horne's Isabella keeps joy on her face, resourcefulness in her spirit, while mugging almost all the comic moments to excess.

The Mustafà whom she captivates is Ruggero Raimondi – hair slicked back, long black whiskers, glinting eyes, plenty to remind us that a once formidable Don Giovanni is hiding under the Turkish cloak and baggy trousers. His way with the music is casual, as is his wont. In contrast, no care was too great for Bruce Ford in Lindoro's opening aria of love, which he floated as gently as a kiss on the breeze; he has become a most appealing Rossini tenor. Alessandro Corbelli repeated his amusing Taddeo and Carlo Rizzi kept the whole ensemble firmly in hand from the pit.

If only the production understood wit as well as it does comedy. This is the Ponnelle staging which opens with a gaggle of grotesque eunuchs (what *is* the collective noun?) embroidering tasselled curtains. I did not recall that they return at the end sporting false red noses and silly walks, but fear I shall never be able to forget it now. The humour seems to have grown cruder with the years, as when Isabella floors Mustafà with a right hook at the end of the first act.

Or perhaps that is just in character for a Rossini mezzo who has always been a knockout. Incidentally, I am told that the unsatisfied customer at *La donna del lago* did go down to Marilyn Horne's dressing-room afterwards to tell her to her face why he had been booing: a brave man, or a foolish one.

Theatre/**Malcolm Rutherford**

Schiller and a fiery anorak

There have been two outstanding openings in the London theatre in the last few days apart from the already acclaimed revival of Tom Stoppard's *Travesties* at the Barbican. One is Schiller's *Wallenstein* at the Royal Shakespeare Company's much smaller theatre, The Pit. The other is *Anorak of Fire*, a wonderful one-man show which has arrived at The Arts Theatre non-stop from the Edinburgh Festival.

Between them they show the best of the old and the hopes of the new, though naturally we shall take the Schiller first.

It would be foolish to pretend that even in this truncated version – down to just over three hours from an original eight – *Wallenstein* is not at times heavy going, especially at the beginning. It takes a while to acclimatise, to the geography as well as the style. For this is high German seriousness about the passions involved in the thirty years' war. If you make the initial effort, however, you are in for a magnificent experience.

To summarise wildly, the main difference between Schiller and Shakespearean tragedy is the absence of comic relief. In Schiller there are no subplots, no trips below the stairs. It is intensity throughout. Yet even that is slightly unfair. The full trilogy of *Wallenstein* contains an opening play, *Wallenstein's Camp*, which deals with the reactions of the peasants and ordinary soldiers to the war. This has been completely omitted from the adaptation and direction by Tim Albery at The Pit.

The surprise is how well the omission works. Apart from a few chairs, practically the only prop is a map of central Europe *circa* 1633. The map matters, though not in detail, for it shows what a melting pot Europe was. The wars were fought by mercenaries from all over the continent, including offshore islands such as Britain. They could be hired, fired, and could defect.

Alastair Muir

Austere pride: Ken Bones as Wallenstein

Wallenstein was a minor nobleman and a military genius who inspired loyalty in his troops and whose ambitions eventually clashed with those of the Emperor Ferdinand. He sought to defect to the Protestants and failed. That essentially is what the play is about. Watch, and feel, the passions as it unfolds.

Ken Bones, who specialises in austere parts such as Sir Thomas More at the Shaw three years ago, plays the agonising and the pride of Wallenstein to perfection. There is pathos (and some lightening of tone) from Olivia Williams as his daughter, Thekla. Above all, there is some superb playing between Philip Voss as Piccolomini, the officer who betrays Wallenstein, and Toby Stephens as the Piccolomini son whose loyalties are divided. The blank verse translation by Francis Lamport is immaculate – and moving. True, it is not Shakespeare, but nor is it meant to be.

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Anorak of Fire, the first stage work by Stephen Dinsdale, revolves around the unlikely subject of train-spotting, though as James Holmes speaks his lines, you will see that there is more to spotting than trains.

Holmes has a lovely shy Yorkshire voice, an engaging walk and face, while Dinsdale has given him some splendidly funny lines. Note the explanations for why spotting is on the increase and why real spotters wear trousers not jeans.

On this showing Dinsdale is the most interesting new talent in London theatre since Alan Ayckbourn arrived, also at The Arts, about 30 years ago.

Wallenstein is in repertory at The Pit (071) 638 8891.
Anorak of Fire is at The Arts until October 2 (071) 836 2132.

INTERNATIONAL ARTS GUIDE

■ BERLIN

BERLIN FESTIVAL

● This year's theme is Japan and Europe. Tonight at the **Kammermusiksaal**, Peter Serkin, Pamela Frank and Yo Yo Ma give the world premiere of a new piano trio by Takemitsu. Tokyo Ballet opens a three-week residency at the **Deutsche Oper** tomorrow with the first performance in Europe of a new Béjart work exploring the world of mythology (daily till Sun). The second week is devoted to Béjart's Kabuki ballet, and the third to a mixed bill. Martin-Gropius-Bau has an exhibition entitled Japan and Europe 1543-1929, with more than 500 objects tracing the development of Japanese art and the influence which Japanese and European artists have had on each other.

● The festival programme at the **Philharmonie** is dominated this week by the keyboard music of Bach: there are recitals by Andras Schiff on Wed, Bruno Canino on Thurs and Peter Serkin on Sat (**Kammermusiksaal**), and all three pianists join in performances of Bach concertos on Fri. Claudio Abbado conducts a Berlin Philharmonic Orchestra programme of Strauss and Musorgsky on Wed and Thurs, and Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra in an all-Tchaikovsky programme on Sun, with soprano soloist Julia Varady. Alfred Brendel plays Beethoven sonatas next Tues.

● At the **Schauspielhaus** on Wed, Daniel Nazareth conducts MDR Symphony Orchestra and chorus in an all-Ravel programme. Fri: Garrick Ohlsson is soloist in Busoni's Piano Concerto with Berlin Radio Orchestra and Chorus conducted by Yan Pascal Tortelier. Sat: Michael Schoenwandt conducts Berlin Symphony Orchestra in Busoni, Mahler and Berlioz.

● The festival runs till Sep 30. The festival office is at Budapester Strasse 48 (information 254890 ticket reservations 2548 9100)

OTHER EVENTS

Francisco Araiza sings the title role in Lohengrin tomorrow and Fri at **Staatsoper unter den Linden**, where repertory also includes a Béjart ballet evening, Cosi fan tutte, Les Contes d'Hoffmann and Die Zauberflöte (2035 4494). The **Komische Oper** has Harry Kupfer productions of Rimsky-Korsakov's Tsar Saltan and Handel's Giulio Cesare. On Thurs, Miltiadis Caridis conducts a concert in which Peter Rösel is soloist in Rakhmaninov's Fourth Piano Concerto (229 2555). A new production of Cabaret can be seen daily except Mon at **Theater des Westens** (3190 3193). The ensemble of the Deutsche Oper is on tour in Japan till mid-October.

■ NEW YORK

CONCERTS

Avery Fisher Hall The New York Philharmonic Orchestra launches its new season on Wed with a Beethoven and Shostakovich programme conducted by Kurt Masur, with violin soloist Itzhak Perlman (repeated Thurs, Fri morning, next Tues). Sun afternoon: Leon Botstein conducts American Symphony Orchestra in a programme on a Shakespeare theme (875 5030)

Carnegie Hall The Philadelphia Orchestra, conducted by Wolfgang Sawallisch, opens the new season on Thurs with Rorem's Eagles, Sibelius' Violin Concerto (Midori) and Brahms' Second Symphony (247 7800)

OPERA

Metropolitan Opera The 1993-4 season opens next Mon with a gala celebrating the 25th anniversary of the Met debuts of Luciano Pavarotti and Placido Domingo. Repertory in the opening month is Madama Butterfly, Fidelio, Die Zauberflöte and Tosca (362 6000)

State Theater New York City Opera's repertory for the next two weeks is The Mikado, Tippett's The Midsummer Marriage, Turandot, Madama Butterfly and Carmen. The company stages three world premieres in the week beginning Oct 4 (870 5570)

THEATRE

● Black Comedy/White Liars: Black Comedy is an impeccable revival of Peter Shaffer's 1960s farce, starring Peter MacNicol. White Liars is a curtain-raiser in which Nancy Marchand takes the part of a bogus baroness turned fortune-teller (Roundabout, Broadway at 45th St, 869 8400)

● Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● Later Life: A.R. Gurney's play about the reunion after 30 years of a man and woman who were once in love (Westside, 407 West 43rd St, 307 4100)

● Annie Warbucks: Kathryn Zaremba, an infant phenomenon if ever there was one, has the title role in this beguiling sequel to the musical Annie (Variety Arts, Third Ave at 14th St, 239 6200)

● Tommy: a musical written and composed by Pete Townshend, based on the classic 1969 rock opera by The Who and directed by Des McAnuff (St James, 246 West 44th St, 239 6200)

JAZZ/CABARET

Michael's Pub Mel Tormé displays his resilient, rhythmically agile voice and his collection of American songbook standards, all good old-fashioned entertainment (211 East 55th St, 758 2272)

Carlyle Hotel Cafe Carlyle is currently home to Barbara Cook, Broadway ingénue turned cabaret legend (Madison Ave at 76th St, 744 1600)

Algonquin Hotel Peter Howard Celebrates Broadway is a tribute to 100 years of musical comedy, featuring veteran performers Lee Roy Reams and Jeanne Lehman. Till Oct 9 in the **Oak Room** (59 West 44th St, 840 6800)

■ PARIS

MUSIC/DANCE

● The 1993-4 season at **Opera Bastillé** opens on Thurs with a new production of Der fliegende Holländer conducted by Myung-Whun Chung and staged by Werner Herzog, with a cast led by Falk Struckmann and Sabine Hass. The production runs till Oct 18 with changing casts. Roman Polanski's staging of Les Contes d'Hoffmann is revived on Oct 9 with David Rendall in the title role (4473 1300)

● A new production of Der Rosenkavalier, with Felicity Lott as the Marschallin, opens a Richard Strauss cycle at the **Châtelet** on Fri (repeated Sep 27, 29, Oct 5 and 5). Armin Jordan conducts the Philharmonia Orchestra in a staging by Adolf Dresen. The Philharmonia also gives a concert of Strauss, Mahler and Schubert on Sun under Mikhail Pletnev, with mezzo soloist Jard van Nes (4028 2840)

● Semyon Bychkov conducts Orchestre de Paris in a Richard Strauss programme at **Salle Pleyel** on Wed, Thurs and Sat afternoon, with Margaret Price soloist in the Four Last Songs (4561 0630)

● Groupe Emile Dubois, a Grenoble-based dance troupe directed by Jean-Claude Galotta, is in residence at **Théâtre de la Ville** from Tues to Sat (4274 2277). The dance season at Palais Garnier opens on Sep 29 with a gala including choreographies by Bessy, Lander and Forsythe (4742 5371)

FESTIVAL D'AUTOMNE

The festival opens tomorrow with Bob Wilson's stage adaptation of Virginia Woolf's Orlando starring Isabelle Huppert. The production, first seen last year in Lausanne, runs till Oct 24 at **Odeon-Théâtre de l'Europe** (4441 3636). Mauricio Kagel's Variété, described as a concert spectacle for artists and musicians, runs from Wed till Sat at the **Opéra Comique** in a staging by Werner Herzog (4286 8883). The festival, which runs till Dec 30, also includes Büchner's Wozzeck directed by Jean-Pierre Vincent, Giorgio Strehler's touring production of Goldoni's Le baruffe chiozotte and Peter Sellars' modern English-language version of Aeschylus' The Persians. The dance programme features Twyla Tharp, Lucinda Childs, Bill T. Jones, Jan Fabre and Anne Teresa de Keersmaeker. The music programme has an American slant, with a special focus on Steve Reich, John Adams and John Cage (information: 4296 9694)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
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Japan Inc in need of long-term reform

PERSONAL VIEW

If history is the result of a series of accidents, some, in hindsight, can be clearly seen to mark significant turning points.

At first glance, the appointment in early August of Mr Morihiro Hosokawa as Japan's prime minister seems precisely such a turning point. On reflection, however, it is only a deepening of the rot in which Japanese politics – and the Japanese economy – have long been mired.

Mr Hosokawa comes from the country's fifth largest political party, The Japan New Party, which secured only 35 of the 511 seats in the Diet's Lower House; the Liberal Democratic party is still, by far, the largest single grouping in the Diet. Even within Mr Hosokawa's coalition government, the Socialists, with 70 seats, dominate. Mr Hosokawa was chosen as prime minister by this coalition because he was thought to be, in the eyes of the public, the least of the evils and the safest protection against a revengeful LDP. If a small group of just 33 members fled the coalition, the LDP might well regain control.

Most coalition members are already nervous about the next election, given the fact that each of the coalition parties had to suppress its ideological claims in order to form the alliance in the first place. Equally revealing, all the coalition parties have now declared that they will continue to support and apply the politics long advocated by the LDP. As a result, Japan Inc. marches on – unreformed.

Thus, the new government cannot – and will not – be able to discuss any serious policy matters for fear of losing its control, temper or harmony (though it has embarked on some reforms to deregulate the economy).

So the government will concentrate on reforming the electoral system from its traditional wide area, multi-seat approach to a narrow area, single-seat system. However, once these 300 new electoral districts are agreed, coalition members will begin fighting among themselves for the nominations. In such an environment, serious attention to changing Japan from a producer- to a consumer-oriented society is impossible.

There will be no help from Mr Irhiro Ozawa, shadow "Shogun" of the Shinseito party, whose near 30 years as an LDP politician makes the creation of a new conservative party, with the same structure as the LDP, his easiest and most logical choice. After all, it was he who perfected in the old days Japan's "iron triangle" of political-bureaucratic-industrial collusion.

The fragility of the government, coupled with the strong pull of the entrenched "iron triangle", is deeply unfortunate. Together, they produce paralysis – and at a time of unprecedented economic slowdown. Although macro indicators suggest positive signs – export surplus at an all-time high of $150bn; personal deposits and savings at the staggering level of $500 trillion – the economic gloom persists. Average consumer households already have two TVs and 1.5 cars. They will not buy any more. Nor is there space in their small homes to put additional refrigerators or stereos.

The government cannot discuss serious policy matters for fear of losing control

Less visible but no less troublesome, most Japanese corporations earning export dollars are actually losing money. They export at a loss because the rigidities of an inflexible employment system mean they cannot adjust their annual business plans. What is counted in national statistics as an export surplus is nothing but an accumulation of money-losing business, especially at Y105 to the dollar or less. The right exchange rate for the yen, as determined by purchasing power, would be about Y180 to the dollar.

The current rate is often seen in Japan as punishment by the international community for Tokyo's trade policies (the Japanese government finds it extremely difficult to regulate the currency market as it regulates other markets).

The best – perhaps only – way to boost the economy is to invest in housing on a large scale, tapping the huge well of private savings. Average Japanese households comprise 80 square metres of floor space, compared with 100 sq m in the three largest European economies. Given the availability of land and high-speed commuter trains, there is no reason why housing should be so expensive. The ideal remedy is to remove the regulations and lighten the taxes that discourage improvement of housing. Larger houses will, in turn, create consumer demand.

Improving the life style of Japanese people will not only boost the economy, but also normalise the exchange rate. Such a move would balance the trade statistics and make the Japanese market more accessible to other nations. In short, creating a good life for Japanese people is in everyone's interest – except the power brokers of the new political system and the remnants of the "iron triangle" who look, instead, only for the short-term economic "fixes".

Japan must shift to a genuine free-market economy. Initially, this would certainly lead to a plunge in property values and stock markets. These "real" prices may also bankrupt over-extended financial institutions and bust the "bubble" players. But such a move would attract responsible investors and consumers, with their huge savings, back into the market.

The practical question is whether a weak new government can tell a powerful "iron triangle" to keep its hands off. If it will not, or cannot, the good life will remain a mirage and the rest of the world will remain frustrated with our markets and our currency.

Kenichi Ohmae

The author, chairman of the Japanese arm of management consultants, McKinsey, last year launched a pressure group committed to far-reaching reforms to Japan's political system

The UK's progress on meeting targets on global warming will come under the spotlight this week in Manchester at a grandly titled 'Partnerships for Change' forum.

The forum is the initiative of Mr John Major, the prime minister, who offered to hold the event for more than 350 environmental pressure groups at last year's Rio Earth Summit. But government officials are wondering whether the guests will bite the hand that feeds them: the meeting will draw attention to whether the UK can meet the Rio targets on global warming at an awkward point in the development of its environmental policy.

Under particular scrutiny is the UK's strategy for meeting the Rio commitment to cut emissions of gases which might cause global warming. Although scientists may take decades to establish whether warming is occuring, governments decided at Rio that the threat was so great that immediate action was necessary.

Mr Major has called global warming one of Britain's environmental priorities. At Rio, Britain promised to cut emissions of carbon dioxide, one of the main "greenhouse" gases, to 1990 levels by 2000. According to the Department of Trade and Industry, this means a cut of 10m tonnes of carbon (mtC) on projected levels of emissions, or about 6 per cent.

In the past six months the government has published several accounts of how it will make those cuts (see table). But environmentalists – many of them in Manchester today – argue that the government's explanations are inadequate. Tory backbenchers, mindful of the party conference in three weeks, also fear that the proposals are a political minefield.

According to the government's latest plan, measures announced in the March Budget – the imposition of value added tax on domestic fuel and increased road and petrol taxes – will cut emissions by 3mtC, by reducing consumption.

But some economists and environmentalists argue that these taxes will not have have much impact on emissions because people's use of transport and household energy is relatively insensitive to price. "VAT is blunt and its application will produce little by way of a demand response," says Mr Dieter Helm, director of Oxford Economic Research Associates, a forecasting group.

In addition, the VAT move has provoked the summer's

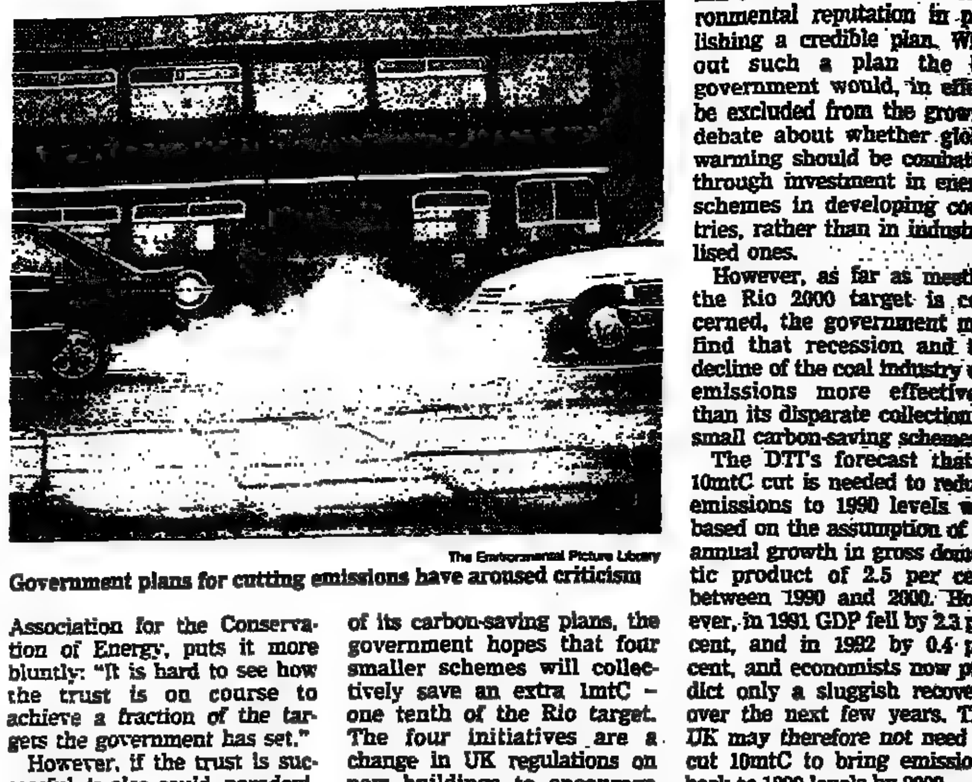
Bronwen Maddox on UK efforts to meet Rio Summit commitments on global warming

No reason for a warm glow

Breakdown of government plans for cutting carbon dioxide emissions

	MtC† saved
VAT on fuel	1.5
Higher road taxes	1.5
Energy Saving Trust	2.5
New building regulations EC schemes (EMAS, SAVE) more renewable energy	1.0
More energy efficiency in business, transport and households*	3.5
Total	10.0

† million tonnes carbon
* including installation of "combined heat and power" generators to supply electricity and heating to blocks of flats, hospitals and businesses



The Environmental Picture Library
Government plans for cutting emissions have aroused criticism

biggest political storm. Road and car lobby groups have also warned the government that plans to raise vehicle tax will be unpopular.

In spite of these concerns the government is likely to press ahead with these revenue-raising measures because of its £50bn public sector borrowing requirement.

Environmentalists have also questioned the likely effectiveness of the Energy Saving Trust, a newly-formed partnership between government and the utilities designed to encourage households to save energy. Headed by Lord John Moore, a former cabinet minister, the trust's brief is to deliver a quarter of the Rio target cuts in emissions.

But the trust has had a slow start. In the current year it is likely to invest only a few million pounds in energy-saving projects such as encouraging householders to install more efficient boilers. According to government estimates, the trust needs to invest some £450m a year in such projects to achieve its share of the carbon emission cuts.

The trust's director, Mr Eoin Lees, acknowledges that it "will be something of a challenge" to expand the trust's annual investments to the level stated by the government by 2000. Mr Andrew Warren, director of the London-based Association for the Conservation of Energy, puts it more bluntly: "It is hard to see how the trust is on course to achieve a fraction of the targets the government has set."

However, if the trust is successful, it also could, paradoxically, stir up more political trouble: for the cost of its investments will be passed on to all households – including those which have not benefitted from its projects – as an extra charge on their gas and electricity bills.

Conservative backbenchers fear the government proposals are a political minefield

The government says that if the trust invests the £450m annually needed to meet the emission targets, the result could be an increase in domestic energy bills of some 4 per cent – on top of the VAT on domestic fuel that is causing such political uproar. This calculation has attracted less attention than the VAT move, but it nevertheless contains the seeds of future trouble.

Besides these central planks of its carbon-saving plans, the government hopes that four smaller schemes will collectively save an extra 1mtC – one tenth of the Rio target. The four initiatives are a change in UK regulations on new buildings to encourage better insulation, government backing for a small increase in the share of electricity generated by solar, wind and wave power, and two EC projects known as EMAS and SAVE, which are designed to promote "green" management and energy efficiency respectively.

Together, these measures – the Budget proposals, the Energy Saving Trust and the four smaller schemes – should, the government says, save more than 6.5 mtC in total, two-thirds of the Rio target.

Environmentalists, already sceptical of these proposals, were even more startled in July when the prime minister asserted that "our plans are now complete". The remaining one-third of the Rio target, he said, would be met by enhanced energy efficiency in business, households and transport, though he refused to spell out the measures.

Mr Major's statement raises more questions than it answers. In particular, steadily rising volumes of road traffic – and the government's programme to build more roads – threaten to increase carbon emissions.

The government has said it will not address the issues raised by its critics until the end of the year, when it will publish a full and detailed explanation of how it will meet the Rio targets.

Does it matter if the government's plans to cut carbon emissions are inadequate? It has invested much of its environmental reputation in publishing a credible plan. Without such a plan the UK government would, in effect, be excluded from the growing debate about whether global warming should be combatted through investment in energy schemes in developing countries, rather than in industrialised ones.

However, as far as meeting the Rio 2000 target is concerned, the government may find that recession and the decline of the coal industry cut emissions more effectively than its disparate collection of small carbon-saving schemes.

The DTI's forecast that a 10mtC cut is needed to reduce emissions to 1990 levels was based on the assumption of an annual growth in gross domestic product of 2.5 per cent between 1990 and 2000. However, in 1991 GDP fell by 2.3 per cent, and in 1992 by 0.4 per cent, and economists now predict only a sluggish recovery over the next few years. The UK may therefore not need to cut 10mtC to bring emissions back to 1990 levels by 2000.

At the same time, the electricity industry may switch more quickly to gas-fired power stations than is assumed in the DTI models. Gas emits less carbon than coal-burning stations, so this will help.

So as far as meeting the letter of the Rio targets goes, the government's task may be easier than it first thought, which could compensate for weaknesses in its carbon-saving plans.

But what happens beyond 2000? Ministers have acknowledged that although the Rio target is commonly described as "stabilisation", emissions are likely to rise sharply after that year as the economy continues to grow.

If government critics are right, and the UK's schemes to cut carbon emissions are ineffectual, then the country will be poorly placed to tackle those long-term trends. That will be true even if it manages, by virtue of a sluggish economy, to meet the Rio targets by 2000.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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The irony of Morocco playing host

From Mr Martin Hughes.

Sir, King Hassan of Morocco enjoyed something of a publicity coup as a result of the recent Middle East peace settlement. First, Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Washington on a Moroccan aircraft; then Israeli prime minister Yitzak Rabin's first port of call his way back home was Rabat.

Nothing wrong, it should be said, with an Arab leader getting in on the wider rapprochement between Israel and the Arab states. But is there not some irony in Hassan playing host while his country remains in illegal occupation of another country, the Western Sahara? The Moroccan army moved into the Western Sahara eight years after Israel occupied the West Bank and Gaza. Despite UN involvement, there seems little sign that Hassan intends to allow the inhabitants of the Western Sahara a free vote on their future.

Perhaps Arafat or Rabin, or even better US secretary of state Warren Christopher, should point out to Hassan that if he wants to play a part in the new Middle East, he should put his own house in order. Like the Palestinians, the Saharawi people have been waiting too long for the opportunity to exercise their right to self-determination.

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Public sector must also 'take medicine' of pay restraint

From A W Buncher.

Sir, I was incensed at the reaction of public sector workers when it was announced that, to help government spending, there would be an effective pay freeze in the year 1994-95 ("Unions warn of 'chaos' over public pay stance", September 15).

Why do they consider themselves immune from the recession which the rest of society has had to suffer? I am a director of a small service company in Devon. Our livelihood depends on the prosperity of other companies and the recession has hit this area very hard – but we are not alone in that.

To help protect the company our employees and directors have made many sacrifices, involving no pay increases since January 1991, 5 per cent pay reduction, redundancies, suspended pension contributions, etc.

I think my company, along with thousands of others around the country, has by necessity taken the necessary steps to cut costs. I therefore pose the question – why should the public sector be exempt? After all, we pay their wages out of our reduced means. I also believe the average salaries shown in your article compare very favourably with the private sector.

Public sector workers should take their medicine like the rest of us and stop whingeing. Think positive, think productivity, think cost-saving, think of others.

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Why inflation is never slain

From Mr Walter Grey.

Sir, It was a shade presumptuous of the financial secretary to the Treasury to declare the British economy "inflation-free" ("Unions attack Dorrell inflation claim", September 15). Nemesis, judging by August's RPI figure, may already be on the march. The inflation dragon, of course, though occasionally worsted, is never slain. The war against it is unending and has to be re-fought continuously. The enemy is never more dangerous, moreover, than when it looks down and out.

The start of a cyclical upswing is particularly critical. It is precisely then that, often unseen and unguarded, the seeds of a fresh inflationary boom, and its recessionary aftermath, are apt to be sown, keeping the whole familiar show on the road. Those who make light of a danger they are ostensibly determined to combat are like fighters with one arm tied behind their back.

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No sign of revolution in US healthcare

From Mr Philip Mickelborough.

Sir, "Revolution" seems a terribly strong word with which to headline Michael Prowse's report on the proposed US healthcare reforms ("Healthcare revolution is nigh: Will Clinton's plan mean cheap care or a free lunch?" September 10).

The trickle of leaks may now have become a torrent, but the ideas are little different from those suggested well before Hillary Clinton's task force was set up.

Interestingly, the two most radical ideas to have come from America recently appear to have been dismissed. The Oregon plan accepted that rationing of health care was universal and inevitable however it was disguised.

Under that scheme individual diseases and treatments were paired up, and each condition/treatment pair was rated by cost and its effectiveness in improving quality of life. These pairs were ranked in order of descending cost-effectiveness and a cut-off point, determined by the budget available, was set. The aim was to eliminate expensive treatments for minor ailments, and, more controversially, ineffective treatments for serious illnesses.

More recently, economists John Goodman and Gerald Musgrave (also noted by Michael Prowse in his column, "A contrary view on healthcare", August 23) pointed out how little market forces apply when healthcare is bought by an employer or the government.

Their suggestion was to eliminate insurance for minor conditions, so re-introducing market-based price and consumption controls for the majority of treatments. More serious illnesses would be covered by insurance, but that cover would be purchased by the individual rather than his or her employer, and again some link between consumption, risk and cost would be introduced.

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Lack of choice on technologies worrying

From Mr Paul Ruskin.

Sir, I welcome the idea that the UK is to pick ideas in which technology funding should be concentrated ("Science foresight plan launched", September 13). As with any company, the UK needs to have a clear vision of where to invest its resources in order to develop a competitive technological position.

However, it is worrying to learn that the technology foresight steering group has yet to decide how to choose between technologies.

The process suggested – in which many scientists, academics and industrialists will be consulted – may unfortunately lead to the choice of important technologies in which we cannot be competitive.

We need to decide where we will try to be world leaders, where we are better working in partnerships (for example, with our colleagues in the European Community), and where we would do better to buy in. Britain is to some extent a niche player in the world of technology: it needs to choose carefully.

The government must also make best use of the substantial independent contract research and development sector in enhancing these technologies. This sector provides a cost-effective means of transferring technology to a broad range of industries in the UK, while maintaining centres of excellence.

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FINANCIAL TIMES

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Monday September 20 1993

Siting the Games

FROM THE beginning of the modern Olympic movement a century ago, the right to host the quadrennial games has been hotly contested. At first the contestants were merely the sporting establishments in different countries – in 1896 the Greek government was apparently not consulted – but the issue inevitably became politicised as the prestige of the Games grew. National and civic pride were involved from the start. The economic and commercial stakes have also become considerable, although the costs have kept pace: few have forgotten the spectacular overrun at Montreal in 1976.

Since that time financial guarantees, from national governments and private interests (especially television), have been a major consideration for the International Olympic Committee (IOC) in deciding where to hold the Games. The support of American television and other corporate sponsors was almost certainly decisive in securing the 1996 Games for Atlanta, when many had expected that for their centenary they would return to Greece.

Favoured city

The IOC has also tended to make its decisions further and further in advance. The choice for 1996 was made in September 1990; that for 2000 is to be made this week. The object of this is, of course, to give the favoured city time for the more and more spectacular preparations that are deemed necessary. Hosting the Olympics has come to be seen as the key to unlock a veritable El Dorado of public and private investment. Even a bid which is not given a very strong chance of success – like that of Manchester this time – can be used as the centrepiece of a development strategy aimed at changing a city's image.

But the Olympics cannot work miracles, as the authorities in Brasilia implicitly recognised when they withdrew their bid last month. It is no good having the backing of your national authorities if they themselves are generally perceived as insolvent. Perhaps unfairly, similar considerations will almost certainly rule out Istanbul, while Berlin has to contend with the memory of the 1936 Olympics, opened by Chancellor Adolf Hitler and ably exploited by his propaganda chief Josef Goebbels.

The final choice seems likely to be between Sydney and Beijing. The former has many technical considerations in its favour, but the latter may have the edge for reasons largely unconnected with sport. The Chinese authorities desperately want it, and China is now widely seen as the most exciting area of the world economy.

Troubled memories

Yet it would surely be imprudent, as well as unjust, to let memories of 1936 count against Berlin while giving Beijing the benefit of the doubt. If 1936 looms large in Berlin's case, it is because a minority of the city's own inhabitants is deeply troubled by those memories, and is free to draw attention to them. The memory of what happened in Beijing in 1989 – the Tiananmen Square massacre – may not have been drawn so directly to the IOC's attention, but it should be much fresher.

No doubt things have improved in China since then, and with luck by 2000 they will have improved even more. But who can possibly tell? The IOC should not risk inflicting on the world another drama like that of Mexico in 1968, when the Games were held in a city from which the blood of hundreds of student rioters had scarcely been cleaned; nor yet another dilemma like that of Moscow in 1980, when those who competed, in defiance of a US-led boycott, found themselves implicitly condoning the Soviet invasion of Afghanistan.

Trade sanctions are not an appropriate way to advance the cause of human rights in China. But to commit the world to holding its top sporting event in Beijing in seven years' time would amount to a vote of confidence in China's rulers which they cannot be said to have earned. The Chinese authorities have in recent weeks sought to boost their chances by taking steps to improve their image on human rights. But they have also corralled their citizens into assisting their bid in typically repressive fashion and would almost certainly do likewise during the event itself. Beijing should be told that it can stage the Games only when its own people are at liberty to enjoy them.

A shiver in East London

THE EXTREME right's victory in a local authority by-election last week has sent a shiver through British political life. Concern has already been rising over the level of racial attacks reported to the police in many UK cities. Politicians, churchmen and community leaders have been quick to deplore the success of a party that is openly racist in its programme.

It is much too soon, however, to see the election of a British National Party councillor in the east London borough of Tower Hamlets as evidence of a far-right breakthrough. The BNP victory, on less than 34 per cent of the vote, was achieved only because of a close three-way split in the voting. It was the first electoral success for the party in the 12 years of its existence. Its predecessor, the National Front, won only two council seats, despite a backlash in some parts of the country over the arrival of east African asians.

The docklands to the east of London have offered fertile ground for the BNP's brand of politics. Many white working class people in the area have been economically marginalised by the docks' decline. The skyline is dominated by prestige office developments such as Canary Wharf that provide few jobs for the unskilled. Fortified apartments in luxury developments back on to run-down rented housing built by the local council for low-income families. The housing of homeless Bangladeshis in new homes by the council has provided a convenient scapegoat which the BNP has been quick to target.

Indeed, it might be thought surprising that in a recession the BNP has not been able to win more support in this and similar communities throughout the UK. Elsewhere in western Europe, extreme right parties have won as much as 15 per cent of the popular vote, control local authorities and are represented in parliament.

Fringe parties

That the extreme right has been less successful in the UK is partly due to the first-past-the-post electoral system. This makes it hard for fringe parties to break through. But mostly it can be attributed to the ease with which an island state is able to limit immigration. Britain has been able to reduce the flow of immigrants to a level that makes it easier to absorb newcomers without social conflict. It has also found it all too easy to shut out the tide of refugees flooding into the rest of Europe from the east. Only when ethnic minorities have become concentrated in particular locations has the social fabric been seriously strained.

More integration

The counterpoint of stiff immigration controls, however, has been a concern to integrate ethnic minorities into British life and offer equality of opportunity. There is also a well-established legal framework to deter racial discrimination and outlaw incitement to racial hatred. This approach can claim a degree of success, certainly in comparison with some other multi-ethnic societies.

Yet reports of increasing racial attacks in Tower Hamlets and other urban areas indicate a seamier side to this picture of an open and tolerant multi-racial society. Many people from ethnic minorities live in fear of abuse and violence, not always confident that the police are willing or able to defend them. Their rights must be defended and their property protected if they are not to be forced into defensive ghettos. The law may need to be strengthened if it proves ineffective in dealing with racial violence inspired by extreme right political activities.

Choking off the grievances that feed the growth of far-right politics may be rather harder, however. A society where all can aspire to economic opportunity is less likely to seek scapegoats among identifiable minorities. Central and local government clearly has an important, if limited, role to play in creating such a society. Much can also be done by the sort of partnerships between the public sector and business that have already contributed to regeneration in east London, albeit erratically on some occasions.

But restoring hope to areas such as docklands is essential if extreme right politics is not to be a recurrent form of protest in elections. Cancers in the body politic - even in the smallest community - disfigure and threaten the whole.

German giant driven off course

Kevin Done, David Waller and **Paul Betts** on the impact of recession at Daimler-Benz, the country's flagship group

For decades the three-cornered star on the bonnet of every Mercedes-Benz car has symbolised the success of Germany's postwar economy. More recently, the star has come to symbolise something different: the difficulties experienced by German manufacturing industry in the country's deepest recession since 1945.

The Daimler-Benz group, of which the Mercedes-Benz car and commercial vehicle operations are the core, is suffering badly in the current downturn. On Friday the group disclosed losses of DM949m (£380m) in the first six months of 1993, a DM1.9bn swing into the red. The figures were calculated for the first time under the much more revealing US accounting rules ahead of Daimler-Benz's listing, next month, on the New York Stock Exchange.

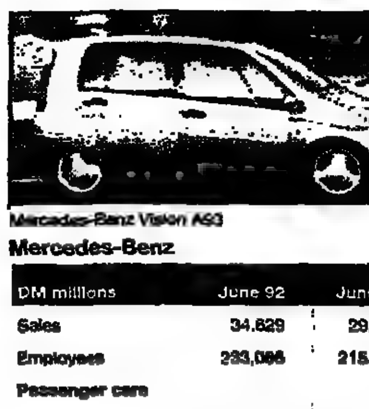
Yet even this reversal does not represent the low-point for Germany's flagship industrial group: that is yet to come. Mr Gerhard Liener, finance director, warned that losses would be "considerably worse" after the third quarter.

The deficit reflects the problems afflicting German manufacturing industry as a whole: collapsing demand in its main markets compounded by the impact of a strong D-Mark on exports and high domestic manufacturing costs.

After a slow initial recognition of the intensity of the downturn, Daimler-Benz has responded to the crisis with increasingly far-reaching measures. These include:

- Job cuts. On Friday Mr Edzard Reuter, Daimler-Benz's chief executive, announced plans to cut a total of 43,900 jobs this year and next, taking the total number of jobs shed in 1992-94 to 60,000. A fifth of the group's domestic workforce will disappear by 1995. The group aims to achieve cost savings of DM8bn between 1992 and 1997.
- An unprecedented willingness to manufacture at low-cost centres outside Germany. "There is no room for protected species and taboos if production locations in Germany are to remain competitive," said Mr Reuter. Daimler-Benz is expanding its manufacturing in the US, Mexico and east and south-east Asia.
- A transformation of product strategy at Mercedes-Benz aimed at taking one of the world's top luxury carmakers into new sectors of the international automobile market. By the late-1990s Mercedes-Benz will have added small cars, four-wheel drive sport/utility and multi-purpose vehicles to its traditional range of luxury cars.
- A new approach to capital markets. The most obvious reflection of this is Daimler-Benz's decision to seek a full New York listing. As the first and only first German company to be listed on the NYSE, Daimler-Benz will enjoy direct access to the world's largest equity market.

Daimler-Benz: Germany's lack-lustre star



Mercedes-Benz Vision A93

Mercedes-Benz

DM millions	June 92	June 93
Sales	34,629	29,075
Employees	233,086	215,318
Passenger cars		
Sales	20,972	17,232
Production	284,466	209,351
Employees	101,753	93,336
Commercial vehicles		
Sales	13,657	11,843
Production	150,448	116,462
Employees	94,670	86,962

Source: Daimler-Benz

Deutsche Aerospace

DM millions	June 92*	June 93
Sales	7,039	6,307
Orders received	6,412	5,830
Employees	83,564	78,522

* Adjusted to take account of significant changes in consolidation

Daimler-Benz Group

DM millions	June 92	June 93
Sales	48,092**	41,638
EC	31,867	25,197
Germany	21,007	16,168
EC excluding Germany	10,860	9,029
US	6,388	6,903
Other markets	9,837	9,538
Employees	389,370**	365,027
Germany	315,581	293,861
Foreign	73,789	71,166
Results after tax	1,020	166

** For comparability, adjusted to take account of significant changes in consolidation at AEG and DASA

Collectively, these measures amount to a corporate revolution, testimony to how the depth of the recession has jolted complacent German management into action. In sectors throughout Germany, companies are in the throes of restructuring and rationalisation.

But is this enough? Mr Reuter says he is confident about Daimler-Benz's future in the medium term; once the world economy revives, he says, Daimler-Benz will be lean and poised to generate suitable profits for a group with a turnover of nearly DM100bn.

The problem is that Mr Reuter has always pointed to the medium-term when talking about profitability: but Daimler-Benz's problem is making profits today rather than always tomorrow.

The process of turning Daimler-Benz into a leaner machine is under way. The car business, for instance, is undergoing a cultural upheaval – a shift into the small car market.

The centrepiece of the Mercedes-Benz stand at the Frankfurt motor show over the past two weeks has been a concept small car. At 3.35m in length it is shorter than a Ford Fiesta or a Renault Clio, and a far cry from Mercedes-Benz's two-tonne S-Class luxury car launched two years ago.

Mr Helmut Werner, the new chief executive at Mercedes-Benz, insists a small car will be in production by "1997 at the latest. The S-Class was our premium profit producer, but this has changed and we must act accordingly. Our customers are on the move into segments they have not been in before. They are also buying small cars. We have to be sure we follow our customers."

Mercedes-Benz's plan to enter the small car market is being accompanied by the development of other "lifestyle" vehicles, such as the MPV or 'people carrier', to challenge the likes of the Renault Espace, and a sports/utility vehicle to rival the Land Rover Discovery.

The MPV, due for launch in 1995, will be built in Spain. At the end of this month Mercedes-Benz will announce the US location of it new plant to build the four-wheel drive sports/utility vehicle.

At the same, Mercedes-Benz is looking for a site in Europe to build its planned small-car plant with a production capacity of 200,000 cars a year; the search has narrowed down to the UK, the Czech Republic, France and Germany itself.

The company is also forming alliances to break into fresh markets. In South Korea, for instance, it has reached a co-operation deal with Ssangyong Motor, enabling the South Korean vehicle maker to begin car production in Korea based on Mercedes-Benz technology.

However, the brave new world is not going to be won without pain. Mr Werner accepts that Mercedes-Benz still lags way behind its rivals in costs and productivity.

Fixed costs are "still appreciably too high", layers of management are being removed and a "rigorous pruning" of the white collar central staff is under way. Some 13,000 jobs were cut last year in Germany. In the 12 months to June the Mercedes-Benz workforce was cut from 233,000 to 215,000. About 27,000 jobs are being cut this year and next.

Mercedes-Benz's change of strategic direction – from luxury executive cars to downmarket vehicles – is brave, but is by no means assured of success.

Similar doubts clouded Daimler-Benz's move four years ago into the aerospace business. At the time critics warned that its new aerospace subsidiary, Deutsche Aerospace (DASA), would be a financial drain and divert management attention away from the group's traditional motor vehicle operations. But supporters of the diversification argued that the move was the best way of restructuring the faltering domestic aerospace industry and, under the Daimler-Benz umbrella, re-positioning Germany at the top of the world aerospace league.

However, the ambitious diversification, which has seen Daimler-Benz absorb disparate components of the German aerospace industry, launch several international partnerships and acquire control of the Dutch Fokker aircraft group, has been undermined by a slump in civil aviation, defence cuts and the slowdown in the domestic economy.

But Mr Reuter remains convinced the strategy will pay off in the longer term: the aerospace diversification has already expanded the group's industrial base and helped instil a more aggressive US-type management style in other parts of the group.

Under the leadership of Mr Jürgen Schrempp, who is tipped to succeed Mr Reuter when he retires next year, DASA has led the way among the Daimler-Benz subsidiaries in cutting costs.

Last year, Mr Schrempp slashed two layers of senior management and announced a package of job cuts totalling 7,500 over a three-year period to 1996. This summer, having already put some 24,000 workers on short time, DASA said it would cut a further 2,800 jobs linked to its activities on the European Airbus programme.

Mr Reuter says the restructuring at DASA is now "mainly completed" and that it is in an "outstanding strategic situation". Although DASA is expected to lose money again this year and next after running up losses of DM341m in 1992, Mr Schrempp insists DASA will start making a contribution to group profits by 1995.

That will provide some relief to a group whose misfortunes mirror those of the German economy as a whole, and which show few signs of easing. The Mercedes-Benz star may take some time to shine again.

The Arab economic boycott of Israel is unlikely to be rapidly reversed, writes **Roger Matthews**

A wait for hidden fruit

The economic fruits of peace moves in the Middle East are unlikely to emerge with the drama and suddenness of Mr Yassir Arafat's appearance last week on the south lawn of the White House. As Mr James Baker, the former US secretary of state, commented after the two historic handshakes between the PLO leader and Mr Yitzhak Rabin, Israel's prime minister: "This is not peace. But it makes peace more likely."

Israel has already learned from its experience with Egypt since 1979 that even a full peace treaty, with all its provisions for a full normalisation of relations, is not necessarily a precursor of closer economic links. But where Israel might realistically have grounds for optimism is that the momentum created for a wider peace in the region will further erode the long-standing Arab efforts to deny the Jewish state access to international investment and trade.

The main vehicle for pursuing this policy over the past nearly half-century has been the Arab boycott, intended initially to check Jewish political aspirations in Palestine and later formalised by the League of Arab States.

Its purpose has been twofold. First, to isolate Israel economically within the region and then, more controversially, to persuade non-Arab countries and companies not to do business with Israel. The persuasion came in the form of threats, administered from the Arab League boycott office in Damascus, the Syrian capital. It drew up and maintains a blacklist of companies which, theoretically, are barred from doing business in the Arab world because of their connections with Israel. Companies seeking to operate in Arab countries are supposed to certify that they have no dealings with Israel.

How effective these restrictions have been is a matter of debate. Plainly, the boycott has not prevented Israel blooming economically. On the other hand, some Israeli officials argue that it has cost the country some \$2bn-\$3bn annually in lost trade and investment as companies decided not to take the risk of endangering their Arab markets, particularly those in the main oil-producing nations.

Calculating the extent of the risk has long been an imprecise exercise, given the apparently haphazard operations of the Damascus office. No blacklist is published although some sources claim it contains more than 10,000 names. Companies are not informed of their status, while a few have blatantly ignored the boycott and escaped any retribution.

Israel has learned from its experience with Egypt that peace is not necessarily a precursor of closer economic links

More are now likely to follow. Diplomats from Arab states which have supported the peace process say that it is unlikely in the short-term that the weakened and divided Arab League will take a formal decision to end the boycott. Any such move, they say, would depend on far more substantial progress in the peace negotiations.

However, they point out that the boycott has already been significantly weakened, and international pressure for its abrogation was already mounting before Israel and the PLO signed their declaration of principles on a negotiated settlement in Washington last week.

The Group of Seven industrialised nations meeting in Tokyo this summer called for the boycott to be ended, while companies such Coca-Cola have shown that it is possible both to defy the boycott and to be taken off the Damascus list. Kuwait, in its fury at PLO support for Iraq during the Gulf War, announced that it would no longer support the secondary aspects of the boycott.

But Arab governments and businessmen can also see benefits in not rushing to bury the boycott formally. The competition for foreign investment in the Middle East is certain to intensify should it become apparent that the peace process is irreversible.

Many billions of dollars will be required to underpin the fragile political evolution in the occupied territories. Lebanon is seeking similar sums to rebuild its shattered infrastructure, while Jordan and eventually Syria will be no less anxious to attract capital and develop trade.

Israel and its smaller Arab neighbours have all studied Singapore's achievement in becoming the banking, services, transport and technological hub of a wider region. Mr Rafiq al-Hariri, the most entrepreneurial prime minister in the Middle East, has no doubt that Lebanon's future lies in capitalising regionally on any similar opportunities that are offered by peace.

He and others are also well aware that Israel's relative sophistication gives it a massive initial advantage. So while the Arab boycott will be increasingly ignored by the international business community, the informal economic fences around Israel will take much longer to dismantle.

OBSERVER

Muscovy movement

■ The anglophile Russian ambassador to London, Boris Pankin, is reluctantly leaving at the behest of president Boris Yeltsin.

A youthful 62, Pankin would have relished staying on but he is to return to his pre-diplomatic career as a writer and publicist.

A graduate of Moscow State university who in his early 30s edited the daily "Komsomolskaya Pravda", Pankin became ambassador, first to Sweden and then in Prague.

Almost alone among Soviet envoys, he condemned the 1991 putsch before its outcome was clear. His reward was a brief stint as Soviet foreign minister, before moving to London in 1991.

But it has been clear for some time that Pankin, seen as an amiable but inactive ambassador, believed he had fallen from grace. Yeltsin is said to want to move Vladimir Lukin, his US ambassador, to another post – and needs an empty embassy. But the ambitious Lukin has so far refused the lesser London posting.

French leave

■ At the end of debates in France's National Assembly, some MPs can be seen walking up and down the vacant benches, pressing the electronic voting buttons belonging to their absent colleagues.

Lazy MPs know their more active friends will record them as having voted, and they can thus absent themselves to pursue more rewarding entertainments.

This must stop, says the assembly's president, Philippe Séguin. He has issued a ruling that MPs should stick to the constitution and cast only their own votes.

Séguin is trying to stamp out the practice of multiple proxy voting, prevalent since the 1959 introduction of electronic balloting, not because of the risk it may lead to political malpractice. Rather, he wants to boost attendance in the assembly because its plenary debates will from next month be carried on cable television.

He also plans to bring in outside stars: King Juan Carlos of Spain will address the Assembly on October 7. The last foreign leader accorded such an opportunity was US President Woodrow Wilson, in 1919.

Prior warning

■ As if John Major hasn't got enough problems with his backbench "devils", he is also having to cope with stroppy businessmen. There was an unseemly incident at Heathrow when industry captains travelling to Tokyo with him boarded the British Airways chartered DC10.

'Better the nonentity you know'

Some of the captains of industry were unhappy to discover they were expected to pass the 12-hour flight in business class accommodation, while the Prime Minister's party travelled first class. The most vigorous complaints were made by Lord Prior, chairman of GEC and former cabinet minister, who got himself upgraded to first class. But only at the expense of a secretary travelling with Richard Needham, the trade minister, who was unceremoniously shunted back down the aircraft.

The seating was not the only shock for Major's flying compatriots. While the prime minister's party was given the usual red carpet treatment on arrival, the businessmen had to find their own way onto the tarmac, many carrying their own bags.

The entire experience came as a bit of a shock to some. Lord Young, chairman of Cable & Wireless, was good humoured about it all, even though he was obviously missing the red carpet treatment he got as Mrs Thatcher's trade secretary. Nothing like a bit of bag-carrying to keep one's feet on the ground.

Top knob

■ With Peter Morgan, the fiery, Welsh-born director-general of the Institute of Directors, stepping down from his £146,000-a-year post next year, attention shifts to the question of his successor.

Amid some suggestions that Morgan would not have been entirely unhappy to consider another term at the top, headhunters are seeking a man or woman with "vision, energy, drive and commitment" to occupy the spacious office suite at the top of the IoD's gracious Pall Mall headquarters.

Morgan, who has managed to raise the profile of the IoD in his battles to promote the forces of free enterprise, will be a hard act to follow. The organisation, which is said to be engaged in a fairly heated debate over its future strategic role, will certainly need someone else capable of making a public impact like Howard Davies over at the CBI.

Word is that redundant politicians need not apply and that someone who has already made a mark on industry would go down well. But if the IoD really wants to break new ground and raise a few members' eyebrows it might consider Mrs Ann Robinson, its own director of policy.

Present tension

■ Reflective Liberal Democrats at the seaside town of Torquay for their party's annual jamboree may have bitter-sweet memories of 1985.

That year in Torquay, David Owen held his most successful conference as leader of the old Social Democrats.

Then, as now, the centrist forces were riding high in the polls, flushed with local election triumphs. There was the same sense of panic among the Tories. Now Paddy Ashdown hopes to cut the same sort of dash as Owen.

But Lib Dems must be hoping comparisons end there. For Torquay 1985 marked a watershed: thereafter, it was all downhill as the Tories recovered and won in 1987. The Social Democrats split – the majority merging with the Liberals and the minority following Owen in a splinter group.

Still, a reminder of the past which will not upset conference delegates is one of Torquay's more well-known landmarks – the Thatcher rock.

FINANCIAL TIMES
Monday September 20 1993

Hamburg voters opt for protest parties to snub ruling coalition

By Quentin Peel in Bonn

THE VOTERS of Hamburg last night delivered a resounding snub to the ruling coalition of Chancellor Helmut Kohl, and to the opposition Social Democrats, in a clear indication of popular anger with the German political establishment.

The winners in the city election campaign, according to the first firm forecasts, were all the protest parties, led by the Greens, who doubled their support from 7 to around 14 per cent. A non-political citizens' protest party, called the Statt [Instead] Partei, looked set to win a place in the parliament with around 6 per cent.

The extreme rightwing Republicans were also on the brink of winning seats for the first time, with a result predicted at between 4.9 and 5.1 per cent – either just above or just below the 5.0 per cent needed to enter the assembly.

Both Mr Kohl's Christian Democratic Union, with a slump from 35 to 25 per cent support in the city election, and the SPD, which lost its overall majority, suffered their worst poll results in the city since the second world war.

The setback to the ruling coalition was confirmed by a disastrous result for the liberal Free Democratic party, the minority partner in Mr Kohl's Bonn coalition, which will lose all its seats in the parliament, slumping from 5.4 to around 4.1 per cent, predicts German television.

The Hamburg city election, called two years early after the CDU was found guilty of undemocratic methods of selecting its party candidates in 1991, is the first of no fewer than 20 national, state and local elections in the next 13 months.

The voting forecasts put the vote for the SPD, which has ruled Hamburg virtually without interruption for 46 years, at around 40 per cent, compared with 48 per cent in 1991. It has therefore lost its absolute majority of just one seat in the 121 seat parliament, and will now have to negotiate – either with the CDU, the Greens, or the Statt party – to form a coalition city government.

The CDU vote of between 25 and 27 per cent was the biggest surprise of the night. Mr Kohl's party was clearly one of the main losers to the Statt party, which was formed by dissident Christian Democrats. The FDP also lost support to the non-party protesters.

The result for the extreme rightwing Republicans was clearly a disappointment for the party, which has been slipping in recent opinion polls, and leaders of which were confident of winning between 6 and 8 per cent. However the total far-right vote, including the German People's Union (DVU), looked set to reach around 9 per cent. The result for the extremists suggests their overall support has peaked.

Mr Henning Voscherau, the Hamburg lord mayor and SPD party leader in Hamburg, must now decide with whom to negotiate a coalition city government.

The most likely outcome is a coalition with the Greens, who campaigned openly in favour of such an outcome. Their support of 13-14 per cent is confirmation that the party is becoming an acceptable member of the political establishment.

Canada's 'sin' taxes on tobacco fuel demand for illicit US cigarettes

Market booms for smuggled smokes

By Bernard Simon in Toronto

ACTIVITY along the US-Canada border is increasingly reminiscent of the rough, tough days of Prohibition. The difference is that the direction of the illicit traffic has been reversed, and the product being smuggled is not whisky, but cigarettes.

Cross-border smuggling has become a huge headache for Canada's tobacco industry and for law enforcement agencies.

According to industry estimates, almost one in five cartons of cigarettes sold in Canada has been smuggled across the border. Retailers in Quebec, where the problem is at its worst, say they are losing more than half their business to smugglers.

The surge in cigarette smuggling can be traced to the "sin" taxes imposed on tobacco.

In most provinces, smokers pay four different federal and provincial taxes. This means a pack of 20 cigarettes costing about C$6.30 (US$4.85) in a Toronto drugstore will be US$2.15 in a US store over the border in Buffalo, New York.

Official figures show that domestic cigarette sales fell 26 per cent in July, compared with a year earlier.

Nevertheless, as Mr Jacques LaRivière, vice-president of the Canadian Tobacco Manufacturers Council, points out: "What has happened is not a decline in consumption. The consumer has been looking for alternatives, and where there is demand, there develops supply."

Many of the smuggled cigarettes meeting that demand are made in Canada because Canadian smokers tend to prefer Canadian brands which use pure Virginia tobacco.

As a result, while domestic sales have been shrinking, exports have surged by 88 per cent to 9.7bn cigarettes in the first seven months of this year.

Some US wholesalers who buy Canadian cigarettes have reselling them to organised crime syndicates. They transport them back across the border in small boats or under the false floors of cars and trucks.

Once back in Canada, the cigarettes are sold tax-free in bars, shopping mall parking lots and schools.

Greater vigilance by police and customs officials at border crossings has been ineffective. Enforcement is complicated by the fact that much of the traffic is channelled through Indian reserves which straddle the border and whose inhabitants claim that outside authorities have no right to interfere.

Some in the industry say the best, and perhaps the only, way to stop the illicit traffic would be to lighten the tax burden on tobacco. But that appears unlikely. Hefty taxes on cigarettes are designed to discourage smoking as well as providing revenues to the government.

But as the cross-border bootleggers proved 70 years ago, smokers and drinkers will not easily let politicians deprive them of their pleasures.

Major to fight Conservative rebels for right to govern

By Kevin Brown in Tokyo and Philip Stephens in Torquay

MR JOHN MAJOR, the UK prime minister, yesterday admitted that rightwing critics of his leadership within the ruling Conservative party were undermining the government's authority.

Mr Major's frank call for party unity to allow the government to function normally
sets the scene for a showdown with the rightwing rebels at next month's annual Conservative party conference.

Speaking in a series of interviews in Tokyo, where he is on a four day official visit, Mr Major left no doubt that his patience with the rebels had run out: "It is time to cut out this stupid internecine squabbling and get on with the job the country elected us to do. That is their job, as well as mine."

He warned : "When decisions need to be taken, and those decisions are in the interests of the British people, then I have the right to ask for the support of parliament, and particularly for the support of my party, for those decisions. That is what I intend to do."

His call for unity was backed by Mr Kenneth Clarke, the chancellor of the exchequer, who dismissed as "silly" and "irrelevant" speculation that the prime minister will be challenged for the party leadership in November.

Mr Clarke, regarded as the clear frontrunner in any battle for the succession, poured scorn on the idea that he had been jostling for position with Mr Michael Howard, the home secretary, and Mr Michael Portillo, the chief secretary to the Treasury and other likely contenders. The chancellor said Mr Major had the unanimous backing of the cabinet and the firm support of the "vast majority" of Conservative MPs.

However, Mr Major offered an olive branch to his critics early this morning in a speech on Europe.

He said the European Community must "take account of the national identity, old cultures and proudly held traditions of Europe's members."

The speech also reflects Mr Major's strong opposition to plans being formulated by Mr Jacques Delors, president of the European Commission, for capital controls to defend a future EC system of fixed exchange rates.

The prime minister was said to be "extremely angry" about the Delors plan, which was described as "ridiculous". Mr Major was said to have told friends: "Delors has lost whatever sense he had."

Olympic rivals spend at least $150m

Continued from Page 1

The early release from jail last week of Wei Jingsheng, China's most celebrated dissident, appeared an effort to allay human rights anxieties.

Manchester, backed by £5.5m in promotional funding from the UK government and leading companies, has pursued an energetic campaign.

In Sydney, bidding has been led by Sydney Olympic 2000 Bid, an organisation owned by the New South Wales government, the City of Sydney and the Australian Olympic Committee, with cost of promotion close to A$25m ($16m), with the private sector contributing around A$14m.

In Berlin, Olympia 2000, the company backing the bid, has assembled promotional spending of around DM250m ($154m) during the last two years, much of it from commercial sources.

THE LEX COLUMN

Growing pains

It is sometimes difficult to believe that Europe's leaders are interested in growth at all. Not only are ERM countries deeply reluctant to cut interest rates, France is trying to persuade its partners to put the world trading system at risk by reopening the Blair House agreement on farm trade while EC support is apparently growing for the reimposition of capital controls. This seems curious when there is also so much concern about unemployment – at least to those who hold that free trade, and by extension free movement of capital, is the best way to secure long-term growth and sustainable jobs.

Europe seems to be drifting towards a dirigiste approach in which the need to maximise growth is subordinate to other priorities. The Gatt may matter less to those who assume that social and political problems are best dealt with by trade protection. In a world of trading blocs, the US and Pacific Rim would flourish: Europe, with the additional burden of refloating former communist countries, would see less growth and more inflation.

That is bad news for European equities which have risen on expectations of lower interest rates, economic revival and a robust recovery in earnings. At current levels, markets cannot afford much of a shock, least of all with so much privatisation business in the wings. They would look unkindly on the threat to recovery from trade sanctions which would surely follow any breakdown of the Gatt.

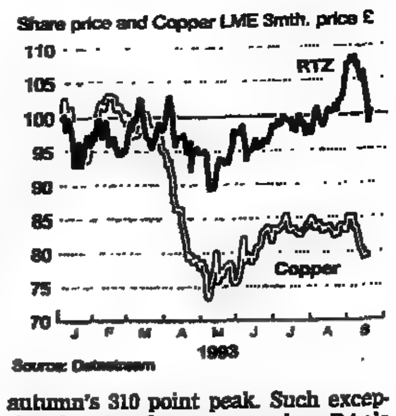
Corporate bonds

The year since sterling left the ERM has seen a remarkable transformation of the UK corporate bond market. As long rates have fallen, spreads over gilts have narrowed sharply – by about 70 basis points to around 100 on 15-year unsecured issues, according to BZW. Such tight spreads raise doubts about whether corporate bonds can continue to outperform, especially if worries about inflation stop gilt yields falling. In theory, supply should then increase as companies hurry to issue debt before absolute yields rise; demand would diminish as higher gilt yields reduce the need for investors to trade risk for extra return.

Real life looks more complicated. The credit standing of some borrowers has undergone a sea change. This applies not only in the property sector but also to companies such as British Aerospace whose bonds due 2014 trade at a spread less than half last

RTZ

Share price and Copper LME 3mth. price £



Source: Datastream

autumn's 310 point peak. Such exceptional outperformance makes BAe's paper vulnerable to correction. More generally, though, the shape of the yield curve seems likely to be decisive. While it remains steeply positive, retail investors will continue shopping for higher returns. They may only look closely at the risks of buying subordinated bank and building society paper when base rates rise again.

An upward sloping yield curve is equally a deterrent to borrowers. Recent issuance has concentrated on maturities of up to ten years where interest rate swaps are available. At the long end, supply is short. Corporate borrowers incur a cost by borrowing long when the proceeds can only be invested at lower rates in the money market. Rightly or wrongly, that is making treasurers dither.

UK accounting

Having reshaped the profit and loss and introduced a new style cash flow statement, the Accounting Standards Board is turning its attention to the balance sheet. The current hodgepodge of current cost and historical cost asset valuations clearly needs an overhaul. There is little consistency between companies as to what assets are revalued and how often. The ASB must also come up with a solution for the thorny issue of acquired goodwill, which many companies argue should not be amortised like a physical asset but revalued instead.

Yet any move towards a system under which all assets are subject to regular revaluation is sure to meet resistance. Mr Ron Paterson of Ernst & Young, the accountancy firm, has argued for a more traditional approach. He is not alone in the view that the only hard evidence of what most assets are worth arises when they change hands. Introducing regular asset revaluations risks undermining the credibility of information contained on the balance sheet. Extending that approach to intangible assets such as acquired goodwill would introduce another layer of subjectivity.

These practical arguments conceal deeper disagreements about the function of the balance sheet and accounts in general. Mr Paterson says that valuation is the job of the market, not the accountant. The balance sheet should thus confine itself to recording transactions and return to a system of pure historical cost. It is not necessary to agree with that conclusion to appreciate the sentiment. Whichever approach to the balance sheet the ASB finally takes, it must be wary of creating an expectations gap between what accounts can provide and what users think they are getting.

RTZ

RTZ is coming to the end of its greatest shuffling of assets since it bought BP's minerals division and sold out of specialty chemicals in 1989. The acquisition of Nerco's US coal interests in February and disposal of Pillar sharpens RTZ's focus on mining. While laudable in terms of strategy, shedding £1bn of industrial turnover nudges the group's sensitivity to metals prices higher still. It comes as no surprise to find that the 6 per cent fall in the shares so far this month is matched by a fall in copper, RTZ's most important metal due to the BP acquisition.

With the copper price taking another tumble on Friday, the immediate outlook for the shares is far from rosy. While copper might quickly recover from the current depths, a sustained improvement looks a year or more away. Copper has suffered less than other metals on the downswing, but the overhang of stock in the market will act as a drag on recovery. The broader question is what mix of commodity exposures RTZ wants to build in the longer term.

Acquiring an interest in US coal makes perfect sense by providing a stable stream of earnings to balance the metals interests. But low-cost reserves of the type RTZ finds attractive are few and far between. Building an interest in aggregates might perform a similar function. With gearing reduced to 17 per cent following the disposal of Pillar, it has room to make another substantial move.

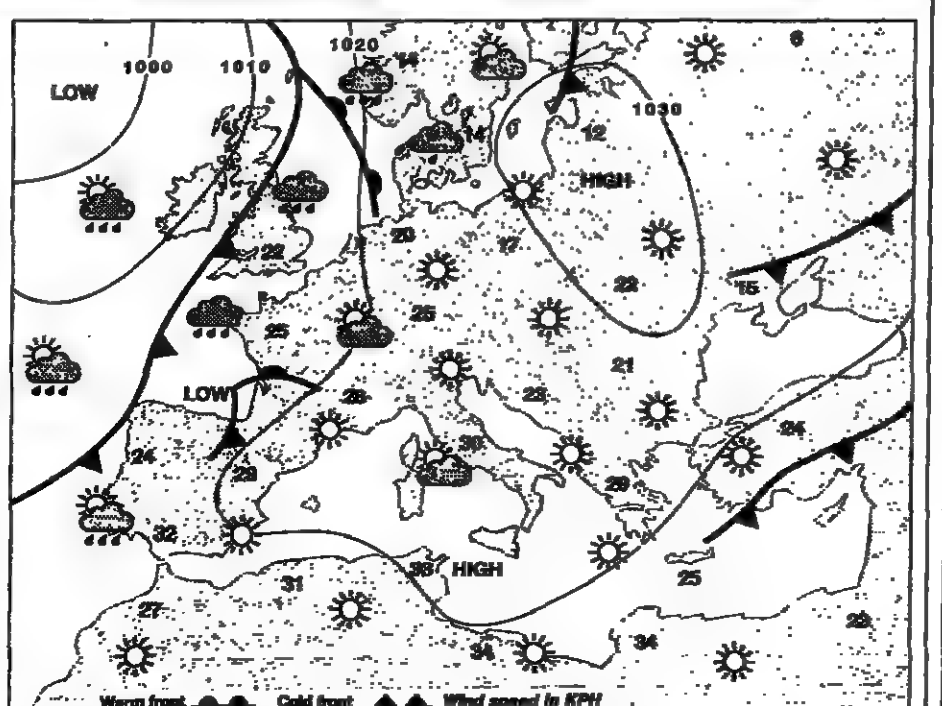
FT WORLD WEATHER

Europe today

Central parts of the continent will have an Indian summer today. An area of strong high pressure east of the Baltic States will bring widespread sunshine to Eastern Europe and most of central Europe. A warm southerly flow will boost temperatures to 23C-28C in a zone from northern Italy to the Netherlands. Further south, it will be warmer with afternoon readings of 29C in south-eastern France and over 30C in southern Italy. Meanwhile, it will be windy and unseasonably cool in Greece and Turkey. A front which has produced widespread rain from Iceland to northwestern Spain, will slowly move east bringing rain to the British Isles, the Norwegian coastline, western France and north-western Spain. Some sunshine will keep temperatures close to 30C in southern Spain.

Five-day forecast

A front accompanied by widespread rain will advance eastwards bringing wet conditions to western parts of the continent at first and to central Europe later. Eastern Europe will remain dry with steadily rising temperatures. In the wake of the steady rain, western Europe will become cooler with showers, especially over the British Isles, Scandinavia and the North Sea countries.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	39
Accra	shower	29
Algiers	sun	31
Amsterdam	sun	23
Athens	fair	29
B. Aires	fair	18
B.ham	rain	19
Bangkok	shower	33
Barcelona	cloudy	26
Beijing	fair	26
Belfast	shower	16
Belgrade	fair	23
Berlin	sun	21
Bermuda	fair	30
Bogota	cloudy	18
Bombay	cloudy	30
Brussels	fair	24
Budapest	sun	21
C.hagen	fair	16
Cairo	sun	36
Cape Town	fair	20
Caracas	fair	30
Cardiff	rain	16
Chicago	rain	20
Cologne	fair	25
D' Salaam	sun	29
Dakar	fair	31
Dallas	fair	33
Delhi	rain	28
Dubai	sun	38
Dublin	shower	18
Dubrovnik	sun	27
Edinburgh	cloudy	18
Faro	sun	26
Frankfurt	sun	27
Geneva	sun	26
Gibraltar	sun	28
Glasgow	cloudy	18
Hamburg	sun	20
Helsinki	fair	13
Hong Kong	cloudy	30
Honolulu	fair	32
Istanbul	fair	23
Jersey	rain	17
Karachi	fair	34
Kuwait	fair	43
L. Angeles	sun	22
Las Palmas	fair	27
Lima	cloudy	20
Lisbon	cloudy	25
London	rain	22
Lux.bourg	sun	25
Lyon	sun	28
Madeira	fair	25
Madrid	fair	29
Majorca	sun	30
Malta	sun	32
Manchester	rain	20
Manila	shower	30
Melbourne	shower	13
Mexico City	fair	24
Miami	fair	31
Milan	sun	27
Montreal	sun	16
Moscow	sun	8
Munich	sun	25
Nairobi	fair	27
Naples	sun	30
Nassau	fair	32
New York	thund	19
Nice	fair	25
Nicosia	sun	35
Oslo	fair	14
Paris	sun	27
Perth	fair	19
Prague	fair	22
Rangoon	shower	31
Reykjavik	rain	12
Rio	fair	30
Riyadh	sun	39
Rome	sun	28
S. Frsco	fair	20
Seoul	cloudy	28
Singapore	cloudy	30
Stockholm	fair	13
Strasbourg	fair	26
Sydney	fair	18
Tangier	sun	27
Tel Aviv	fair	32
Tokyo	rain	20
Toronto	fair	20
Tunis	sun	33
Vancouver	cloudy	17
Venice	fair	26
Vienna	fair	22
Warsaw	sun	13
Washington	fair	22
Wellington	fair	8
Winnipeg	fair	20
Zurich	sun	27

FINANCIAL TIMES

COMPANIES & MARKETS

Monday September 20 1993

INSIDE

IRI considers its options

IRI, Italy's biggest state holding company, which is mounting an ambitious privatisation campaign, will this week reconsider its options after failing to find suitable buyers for its SME foods subsidiary. Page 19

Wellcome's stake in US group

UK-based drugs company Wellcome has agreed to take a 5 per cent stake in Centocor, once a high-flying US biotechnology company but brought low last year when it failed to secure Food and Drug Administration approval for its main product. Page 19

BNP leads France's grand sale

The French government's ambitious privatisation programme gets under way today with the start of the pre-marketing process for Banque Nationale de Paris, the state-owned bank. Page 19

ABN-Amro in London move

ABN-Amro, the Netherlands-based bank, is reorganising its worldwide investment banking activities along product lines, and plans to centre its international equities operations in London. Page 20

Another battle for Glaxo

Glaxo's victory on Friday over Novopharm, the Canadian manufacturer of generics drugs, about the US patents of Zantac, the world's best-selling medicine, increases the British group's chances of winning a second patent case next year. Page 18

Spring cleaning

Bathrooms and kitchens group Spring Ram is today expected to announce sweeping changes to its advisers. Poor interim results on Wednesday may lead to the departure of chief executive and co-founder Bill Rooney. Page 18

Spurs under more pressure

Fresh allegations of irregularities at Tottenham Hotspur Football Club were made in the Channel 4 programme Dispatches last night. Page 18

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.6 according to IBES, the consensus estimates service (last week: 15.7). This compares with an IBES estimated p/e for the "500" of 20.5 (20.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.61 (19.92).

Market Statistics

Companies in this issue

HK completes $6m Allied investigation

By Simon Davies in Hong Kong

THE HONG KONG government issued on Saturday the results of a 13-month investigation into alleged corporate fraud by the Allied group, a probe which has cost HK$46m (US$6m) and sparked the colony's largest commercial crime raid.

The report details how Allied chairman Mr Lee Ming-tee created a network of listed, but supposedly independent companies. It alleges that he used these to consolidate control of a sprawling corporate empire, to by-pass listing regulations, and to manipulate share prices of group companies.

The investigation has been described locally as "the Carrian of the 1990s", referring to the infamous HK$100m court battle over the collapse of the Carrian property group in 1983. But while the scale of the Allied investigation has been immense, the allegations are less damaging.

The inspector's report lists five recommendations, of which only two were made public. These concern the creation of safeguards within the group to prevent misconduct by individual directors, and such measures have already been implemented.

It is understood that the three unpublished recommendations are:

- That indications of criminal activity should be further investigated. This was addressed in Wednesday's raid on Allied offices by 300 police officers.
- The Stock Exchange and Securities and Futures Commission is advised to examine further any alleged breaches in regulations.
- It is suggested that the companies involved in the report should examine the findings and consider any further action.

At the time the investigation was launched, the Allied group officially comprised six listed companies: Allied Group (AGL), Allied Properties, Allied Industries, Asia Securities, Santai and Tung Wing Steel. Three of these companies have since been sold. The report says Allied also controlled Paragon and Wai Yick, which were used to fund activities by the Allied group, or its directors.

The report finds evidence of market manipulation, non-disclosure of shareholdings and inter-group deals disguised as arms-length transactions. It remains to be seen, however, whether there is sufficient evidence to justify criminal proceedings.

The UK interim reporting season has caused concern about the speed of recovery, says **Roland Rudd**

Markets aground on a reef of cautious results

The gathering confidence that UK economic recovery is underway appears to have been a dealt a blow by the cautious tone of many of the companies reporting during the interim results season.

Forecasters hoping that a strong earnings growth would underpin the recent rise in the Footsie index were first given a nasty shock by BTR, the industrial conglomerate. It said that there was no evidence to suggest that recovery was translating into significant increases in corporate profitability and warned the outlook remained uncertain for any "meaningful upturn" in the second half.

A similar message came from Williams Holdings, another industrial conglomerate. Mr Nigel Rudd, chairman, said the pace of the UK recovery was slow and warned that in the low inflationary environment it was proving very hard to increase prices.

Both conglomerates increased pre-tax profits but their shares fell on the back of their less-than-ebullient trading statements. A week later the Footsie followed suit, falling below 3000 less than a month after it reached an all-time high by breaking through the 3100 mark.

Mr Jerry Evans, strategist at NatWest Markets, believes recent falls in the market reflect concern about the prospects for profits. Though he is not changing his earnings forecasts after three weeks of results, Mr Evans says it is clear UK earnings would have to pick up significantly to sustain the Footsie index above the 3000 mark.

Some chairman who have been unable to deliver such an increase have been unable to hide their anger at the expectations which had been created.

Lord Sterling, chairman of Peninsular and Oriental Steam Navigation Company, which disappointed the market with lower than expected profits before disposals, said: "It would have been abundantly clear to anyone who read our annual report that the UK recovery is slower than anticipated." Another chairman blamed economists and politicians for talking up a recovery "beyond the realms of reality".

But how much weight should the market be attaching to the reservations of companies about recovery prospects? Mr Mark Cusack, conglomerate analyst with Barclays de Zoete Wedd, believes many industrialists during the recession made the mistake of calling the upturn too quickly. "It is possible that they are now being too cautious."

This view is reinforced by Mr John Thomson, senior investment manager at Standard Life. "Companies are always cautious at this stage of the recovery. They have been through hell and are not about to scream from the rooftops when things get better. The market may be a hundred points off its high but it is still good value."

Regardless of whether companies are exaggerating the slow upturn, forecasters take comfort from the fact that the gloom about the UK's recovery prospects is not universally shared. Some of the housebuilders, such as Blue Circle Industries, have become more upbeat.

There have been some surprisingly generous dividend increases. Glaxo, Europe's largest pharmaceuticals group, reported a 17 per cent rise in pre-tax profits for the year and increased the dividend by 29 per cent. Prudential Corporation, the UK's largest life insurance company, raised its interim dividend almost 10 per cent.

Some fund managers believe the outlook for dividend growth may be better than many forecasts, irrespective of the slow recovery in earnings.

However, even if there is a delay in the earnings recovery it does not necessarily mean that the benefits of sterling leaving the ERM last September, and the interest rate cuts which have followed, will not materialise. It could be that they have just been postponed.

Whether that postponement is temporary or longer-term, Mr George Hodgson, strategist at Warburg Securities, believes earnings disappointed the market because people failed to take account of the fact that the UK is virtually alone in enjoying rising confidence about recovery prospects.

He explained: "While economists in the UK were throwing their hats up in the air at the prospect of a strong recovery mainland Europe was going down the tubes, Japan was in serious trouble and the rate of recovery in the US slowed."

The significant slippage in world growth forecasts for 1993 – they have nearly halved since the beginning of the year – has gone unnoticed in a UK market pre-occupied with domestic issues.

Mr Christopher Miller, chief executive of Wassall, a small conglomerate, concurs. "In the UK, the ingredients for a sustained economic improvement are in place. But a full recovery may have to wait for further falls in Continental interest rates. You cannot have the one without the other."

It is hardly surprising, therefore, that companies with an international spread of activities are starting to sound more cautious about second-half earnings.

Notwithstanding last week's inflation figures, showing the year-on-year increase in the RPI – excluding mortgage interest payments – edging up to 3.1 per cent in August from 2.9 per cent in July, most companies remain confident the outlook for low inflation is good. With falling bond yields investors may have no other option but to put their money into equities.

"That is one of the best reasons to look for the exit door," says Mr Hodgson, who argues that deteriorating world growth makes it highly plausible that multiples will come under increasing downward pressure. This may explain why many analysts assume the FT-SE Index will move back into the trading range established in the first half of the year – around the 2900 level.

Nigel Rudd (above left), of Williams Holdings: low inflation is making it hard to raise prices
Christopher Miller (right), of Wassall: improvement depends on falling European interest rates
Lord Sterling (above right): P&O annual report clearly showed recovery was slower than expected

CHANGES TO ANALYSTS' FORECASTS

(Companies reported)	Whole Universe (114*) Before interims	After interims
Pre-exceptional eps growth:		
To Dec 1993	24%	28.3%
To Dec 1994	23.2%	17.4%

Source: SG Warburg Securities *Excludes BT and Glaxo

BAe space sale talks face early restart

By Daniel Green

TALKS AIMED at selling British Aerospace's satellite-making division to Matra-Marconi Space, the Anglo-French joint venture, are set to restart next month.

The sale to Matra-Marconi Space, which is Europe's biggest manufacturer of satellites, could help secure the future of BAe's remaining space operations at Stevenage, Hertfordshire, and Filton, near Bristol.

Matra-Marconi would integrate design and manufacturing at the two BAe sites into its own two centres at Portsmouth, Hampshire, and Toulouse, in south-west France.

A sale would be part of BAe's strategy to dispose of non-core businesses in an attempt to improve its profitability.

An attempt last year to sell the division, which has a turnover of about £120m a year, fell through when Matra-Marconi Space declined to take on all the businesses on offer.

Since then, BAe's space division has roughly halved its workforce to 1,100. It spun off its communications services operation last November.

The restructuring had cleared the way for a reopening of talks, said Mr Claude Goumy, chairman of Matra-Marconi Space.

He said any deal could be completed quickly because last year's talks got as far as a due diligence study by Matra-Marconi Space. "We are hoping that talks will start next month and that an outcome will be clear by the end of the year."

Matra-Marconi Space is 51 per cent owned by Matra-Hachette of France and 49 per cent by GEC.

BAe acknowledged that the division was still up for sale but said talks had not yet started. The group was likely to argue that restructuring has put a higher price tag on the business.

Mr Goumy, by contrast, said the operation was "not worth much. It's a question of negotiating goodwill."

BAe's activities in the commercial space industry have been shrinking for several years. Last October, it failed to win a £150m contract to build a telecommunications satellite for the Arabsat consortium.

It is working on two main contracts: Envisat, part of a $2.2bn European Space Agency (ESA) programme due for launch in 1998; and Skynet 4 for the UK Ministry of Defence for which it has a £10m project development programme.

Aux armes, consumers

France wants its people to spend

Economics Notebook

By John Ridding

France's consumers are being called to arms to help lift the country from recession. But measures to boost household spending to be presented to the cabinet this week as part of next year's budget would be more persuasive if consumers were not still digesting the effects of earlier tax increases and if the continued rise in unemployment was not sapping confidence.

A recovery in household spending is certainly necessary if France's escape from its economic slump. Household consumption suffered a sharp fall of 0.7 per cent in the first quarter. It rose by 0.4 per cent in the second quarter, but most economists describe this as an unsustainable correction rather than a rally. The zero rate of inflation in August and a series of gloomy surveys of the retail sector indicate the fragile state of domestic spending.

"An increase in demand, particularly from households, is now an important means to aid the economy," says an official at the French finance ministry in Paris. Economists are blunt. "Consumer spending is the only hope for economic recovery," says Mr Paul O'Brien, economist at Morgan Guaranty in Paris. "Investment won't recover without it, and external demand remains weak."

The response of the French government has been to reach for the fiscal levers. The budget measures will include a FFr19bn (£2.16bn) cut in income taxes, aimed principally at the middle classes. The reduction, says the government, will be achieved through a reform of the country's complex system of tax bands and will apply to income earned this year. Officials indicate that half of income tax payers will see their bills reduced by at least 10 per cent after the reform.

At the same time, the government plans to allow private investors to withdraw early from eight-year personal savings plans while maintaining the tax advantages and interest payments of the scheme. The measure will be included in the budget, but is expected to be retroactive from the end of this month.

The finance ministry says such savings plans currently hold about FFr300bn. The reform will apply to individual investors who do not pay income tax. But with more than 40 per cent of French households included in this category – because the bulk of French taxes are raised through indirect means – about one-quarter of the total amount in PEPs would be covered by the measures. "This is a potentially powerful way of shifting the balance of household funds towards consumption," says one Paris banker.

Already, the government has sought to ease the pressure on consumers by one-off measures. At the beginning of this month, for example, the state increased from FFr400 to FFr1500 the payment to families with schoolchildren to help cover the costs of the return to classes. The increase, for lower and middle income families, is estimated to have involved an additional FFr5bn of government expenditure.

The government is not alone in wooing French consumers. The Caisse d'Epargne de Paris said last month that it would reduce its minimum borrowing rate for consumers by three percentage points to 9 per cent from the beginning of October. Crédit du Nord and Crédit Lyonnais have since followed suit.

The banks are acting in anticipation of lower interest rates, despite the government's glacial pace in reducing borrowing costs since the European currency crisis forced the effective flotation of the franc at the beginning of August. "They expect interest rates will come down, and they are seeking to gain market share in advance," says one French banker.

But despite this array of appetisers, consumers may not be tempted, either by the banks or by the government's exhortations. Part of the problem is that French consumers are still coming to terms with an increase, from 1.1 per cent to 2.4 per cent, in the Contribution Sociale Généralisée, a special tax on all revenue. This increase took effect at the beginning of July, along with an increase in taxes on petrol, alcohol and tobacco.

"These items are fairly price inelastic" says Mr Jean-François Mercier, French economist at Salomon Bros. "Households are therefore likely to spend less on other items to compensate.

Nor are lower interest rates entirely good news for consumption. A study published last month by the Bank of France estimated that a 1.5 percentage point cut in long term interest rates and a 3 percentage point cut in short term rates would cut household income by FFr50bn, leading to a 0.5 per cent fall in consumer spending in the first year and a 0.2 point fall in the following year.

Economists, however, still believe lower rates are necessary to revive consumption and the French economy. "The most important function of interest rates is as a relative price between savings and consumption. A reduction will therefore boost spending," says one economist at a Paris-based bank.

Perhaps more importantly, reduced interest rates could ease the root problem facing French consumers – the relentless rise of unemployment, currently at 11.7 per cent, and the resulting loss in economic confidence and increased precautionary savings.

According to the Bank of France study, the effects of their notional reductions in interest rates would knock FFr40bn off companies' annual interest payments. By easing pressure on the balance sheet, it would also ease pressures on their payrolls.

Without an improvement in unemployment, few economists expect a rapid recovery in consumer confidence. "If you think your job is in danger then you are reluctant to consume," says Mr Jean-Francois Mercier at Salomon Bros. In addition, the depressed labour market has kept real wage increases, and hence purchasing power, flat.

If the French monetary authorities can guide real interest rates lower, cutting the key intervention rate a few percentage points below its current level of 6.75 per cent, then economists forecast a revival in spending. Until then, however, consumers may be reluctant to take their hands from their pockets.

US media set for bid war over Paramount

By Martin Dickson in New York

SPECULATION is intensifying that other US media moguls will initiate a bidding war for Paramount Communications, the film and publishing group which agreed to be acquired by Viacom for $8.2bn (£5.3bn) a week ago.

Reacting to the possibility of a rival bid, a Paramount spokesman said: "We repeat what we have said from the first day: the merger with Viacom is a perfect business fit and is in the best interests of our shareholders. It will be completed."

However, a routine board meeting of Turner Broadcasting on Friday is believed to have given Mr Ted Turner, the mercurial founder of the Cable News Network television channel, a green light to examine ways of getting involved in a rival bid.

In an interview with the Financial Times conducted last Thursday (see Monday interview, Back Page) Mr Turner was dismissive of the idea that he might enter a bidding war because it would be too costly, but analysts speculated yesterday that he might launch one in conjunction with other media groups. Turner Broadcasting is much smaller than Paramount.

Another possible bidder is Mr Barry Diller, who played a key role helping Mr Rupert Murdoch build Fox into America's fourth television network and now heads QVC Network, which offers cable television home shopping. Mr Diller is ambitious to build QVC into a more broadly based network.

Second threat to Glaxo's Zantac

By Paul Abrahams

GLAXO'S victory on Friday over Novopharm, the Canadian manufacturer of generics drugs, about the US patents of Zantac, the world's best-selling medicine, increases the British group's chances of winning a second patent case next year.

Genpharm, a Canadian generics company smaller than Novopharm, is due to challenge Glaxo's patents next May. Lawyers representing Genpharm attended the Novopharm case, which was heard in North Carolina, near Glaxo's US headquarters.

Both Canadian groups claim an unstable liquid form of the drug, for which Glaxo's patent expires in December 1995, is insufficiently different from the marketed form to justify different patents. The stable form's patents expire in 2002.

If Novopharm had won, it would have been able to market a generic version of Zantac in the US from January 1996.

Glaxo's victory was crucial to the company's future. In the last financial year, Zantac, an ulcer treatment, generated sales of £2.17bn, equivalent to 44 per cent of group turnover.

Sales of drugs whose US patents have recently expired have halved in a year. About half Zantac's sales are in the US. Some analysts believe the case depressed the shares by up to 100p. The shares closed at 644p on Friday.

At Glaxo's full-year results earlier this month, Dr Richard Sykes, chief executive, warned there were additional threats to Zantac other than the patent challenges. They remain:

- The expiry next year of the US patents of Zantac's main competitor, SmithKline Beecham's Tagamet. Zantac will have to compete with cheap generic versions of that drug.
- The eradication of helicobacter pylori, a bacterium which has recently been discovered to be implicated in ulcers. If doctors decided to eradicate the bug rather than prescribe Zantac-type drugs, the market could collapse.
- Over-the-counter non-prescription versions of best-selling anti-ulcer drugs such as Tagamet and Merck's Pepcid. The immediacy of this threat receded last week because of the refusal of US Food and Drug Administration advisory committees to recommend an OTC version of Tagamet.
- New-generation drugs, such as Astra's Losec.
- Generic versions of unstable liquid form of Zantac after its patents expire at the end of 1995. Dr Sykes played down this threat, arguing there were doubts about the quality of generic manufacturing.

Venables faces more allegations

FRESH allegations of irregularities at Tottenham Hotspur Football Club were made in the Channel 4 programme Dispatches last night, writes Barry Riley.

Two weeks after Mr Terry Venables, former chief executive, left the club in June this year, two bundles of cash totalling £8,750 were found in the safe at Spurs. The money, according to the programme, was VAT originally added in error to a cash payment of £50,000 in August 1992 to Mr Frank McLintock, a former star footballer who is now a partner of a players' agency.

At least in part, the money was a payment for handling the transfer of Mr Teddy Sheringham from Nottingham Forest to Spurs late in 1991. Such payments are against Football Association rules and both Mr Venables and Mr McLintock told the programme's producers that the invoice was misleadingly made out in order to get around this.

Another payment to an intermediary, an Italian restaurateur called Mr Gino Santin, was highlighted by the programme as the original trigger for the eventual breakdown of relations between Mr Venables and Spurs' chairman, Mr Alan Sugar.

When Mr Santin was called in by Mr Venables in July 1991 to assist with the complex and protracted negotiations to sell Mr Paul Gascoigne to the Italian club Lazio, Mr Sugar was told by Mr Venables that Mr Santin would act for nothing. In 1992, however, Mr Santin submitted an invoice for £200,000 in respect of "activities and assistance regarding the transfer of Paul Casgoigne (sic) to Latio (sic) Rome".

Mr Santin, the programme reported, said that what started as a favour soon developed into a different role.

There are contradictions between the claims of Mr Venables, who insists Mr Santin was instrumental in raising the price from £4.825m to £5.5m, and Lazio, which says that the £5.5m offer was made two weeks before Mr Santin became involved.

However, Lazio agreed, according to Dispatches, that Mr Santin was crucial in keeping the deal going.

Spring Ram expected to lose Rooney and advisers

By David Blackwell

SPRING RAM, the bathrooms and kitchens group, is expected to announce today sweeping changes to its advisers.

The accounting firm Price Waterhouse is likely to take over the audit from Arthur Andersen, while Barclays de Zoete Wedd are set to replace Panmure Gordon as brokers.

These moves anticipate the climax in the group's long-running crisis expected to be reached later this week with the exit of Mr Bill Rooney, one of the founders of the company and its biggest shareholder.

On Wednesday the group will announce interim results. Unofficial market estimates of the loss have grown from £25m a few weeks ago to as much as £40m. Such a result could trigger Mr Rooney's departure, along with other senior directors.

At the same time Mr Roger Regan, who was appointed chairman at the end of July, is due to unveil his promised operational review, alongside a full financial review from Price Waterhouse.

Mr Rooney, who still holds a 16 per cent stake, lost his job as executive chairman to Mr Regan, a building industry veteran. Mr Regan was approached by investment institutions, led by Prudential Corporation, after the West Yorkshire-based company issued three profit warnings within eight months, causing a collapse in the share price.

Although Mr Rooney has continued as chief executive working alongside Mr Regan on a trial basis, the new chairman has enough votes on the board to sack him.

Inconclusive bid talks last month, were followed by growing tension at board level.

Mexican boost as Laser-Scan hits £45,000

Following the return to profit in the second half of 1992, Laser-Scan Holdings, computer software group, produced pretax profits of £45,000 for the first six months of 1993, compared with a £408,000 loss.

Turnover for the period expanded by 45 per cent from £3.99m to £5.78m.

The directors said that much of the improvement could be attributed to the final deliveries against the Mexican contract.

The substantial amounts of third party hardware involved, although at relatively low margins, "made a useful contribution to profit" they said.

The second half is not expected to produce the same level of profit as last year - £488,000 for the six months - although the directors believed there was the potential " to grow and to improve its profitability."

Earnings per share were 0.3p (losses of 2.5p).

Hozelock in £50m flotation

By Tim Burt

HOZELOCK, the manufacturer of garden equipment, is to be floated on the stock market in November at an estimated value of £50m.

The company, which is forecasting a 30 per cent increase in operating profits from £3.8m in the 12 months to September 25 1992 to £5m this year, hopes to raise up to £20m to fund expansion and reduce gearing.

Mr David Codling, managing director, said the company needed to come to the market to strengthen its balance sheet. The proceeds will repay bank loans and redeem existing preference shares.

"Our aim is to raise enough capital to have very conservative gearing, so that if an acquisition came along we wouldn't have to go back to the bank," Mr Codling said.

He expected many of Hozelock's customers in the UK, where the market in garden products is estimated to be worth more than £1.5bn, to become investors.

Sales to such customers have grown by more than 10 per cent a year since a £24m management buy-out from Ropner in 1990. This year turnover is expected to grow to £32m, against £27.3m last time.

Although the proportion of the share capital coming to the market has yet to be finalised, the team of 20 executives who led the buy-out could see the total value of their shareholdings increase to £8m if the market capitalisation is set at £50m.

The company hopes a listing will help it expand operations overseas, where sales this year are expected to exceed £8m.

Manufacturing of the group's 300 products is due to increase next year when it moves its main plant from Aston, Birmingham, to a new £8.5m factory on the other side of the city.

The flotation will be sponsored by Barclays de Zoete Wedd, and James Capel will act as brokers.

Mid-States advances 36%

ON A 24 per cent increase in sales from £25m to £30.9m, pretax profits of Mid-States, the wholesale and retail distributor of automotive parts in the US, were boosted 36 per cent to £2.61m for the first half of 1993, against £1.92m.

Mr William Cherry, chief executive, stated that the second half of the year had opened strongly and prospects for the full period were "most encouraging".

The share price rose 13p to 88p last Friday.

Profits of this USM-quoted company, which operates through its subsidiary, Mid-State Automotive Distributors of Nashville, Tennessee, were after higher interest payable of £522,000 (£412,000) and subject to tax of £400,000 (£360,000).

Earnings per share were higher at 4.5p (3.2p). The interim dividend is held at 0.75p with an enhanced scrip alternative of 1.125p.

The directors are also paying a special distribution of 2.25p with an enhanced scrip alternative of 3.375p.

The company intends to implement an American Depositary Receipt programme in the US as it is believed that shareholder value would be improved.

Following the implementation of the ADR programme, the company intends to reduce its dividend pay-out "so as to provide additional funds for expansion." The directors, therefore, plan that dividends would be set "at a level which is at most nominal."

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Huntsman Corporation (USA/Australia)	Unit of Texaco (US)	Chemicals	£680m	Musical chairs in sector
British Telecom (UK)/ Grupo Santander (Spain)	Joint venture	Telecoms	£400m	Further European push for BT
Kerry Media (HK/ Malaysia)	South China Morning Post (China)	Publishing	£231m	Buying 34.9% from News Corp
Euroc (Sweden)	Partek Cement/ Lohja (Finland)	Building materials	£101m	Nordic companies rationalise
Goodyear (US)/Ceat (India)	JV	Tyre manufacture	£97.4m	Tyre production venture
Fretter (US)	Unit of Dixons (UK)	Retailing	£33m	Dixons disposes of Silo
Volvo (Sweden)/Xian Aircraft (China)	Xian Silver Bus Corp (JV)	Vehicle manufacture	£9.7m	Bus production deal
Quarto (UK)	Soda (US)	Publishing services	£7.2m	Profit-related price
Amstrad (UK)	Dancall Radio (Denmark)	Mobile telecoms	£6.4m	Expanding telecoms ops
Telecommunications Inc (US)/Bertelsmann (Germany)	JV	Cable TV	n/a	Interactive move

Court Cavendish makes £4.1m acquisitions

By David Blackwell

COURT CAVENDISH Group, the nursing home company, has made its first acquisitions since coming to the market in July.

The group is paying £3.75m cash for two privately-owned care homes in Essex and Kent, with a combined total of 122 registered beds. In addition the group has acquired from administrators a further 50-bed nursing home in Sussex, which it has been managing, for £375,000.

Mr Tony Heywood, finance director, said the flotation had enabled the group to clear its debt, leaving £15m to finance its expansion plans. It was still looking for further suitable acquisitions in the south of England.

The group now operates 26 homes with a total of 1,306 beds. It is aiming to expand at the rate of 500 beds a year.

The group also announced yesterday the appointment of Sir Donald Acheson, chief medical adviser to the government from 1983 to 1991, as a non-executive director with effect from October 1.

New City Comml asset value at 111.6p

New City and Commercial Investment Trust, raised net asset value by 15 per cent to 111.6p per share over the period from February 8 to July 31 1993.

The trust was formed as part of the restructuring of City and Commercial Investment Trust, which came to the end of its life at the end of January 1993.

Net revenue for the period ended July 31 was £253,000 and earnings per share came to 2.004p.

An interim dividend of 1.3p has been declared.

Correction

Mid-Ocean

A table in the Financial Times on September 15 stated that Mid-Ocean, the Bermuda-based reinsurance company, raised $250m in new capital during 1993. Mid-Ocean has raised $325m this year bringing its total capital base (including retained earnings) to some $735m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh (final)	Pool selling price £/MWh
0030	18.00	18.06	18.05
0100	18.00	18.03	18.03
0130	18.00	18.03	18.03
0200	18.00	18.03	18.03
0230	18.00	18.03	18.03
0300	18.00	18.03	18.03
0330	17.99	18.03	18.03
0400	17.99	18.03	18.03
0430	17.99	18.03	18.03
0500	17.99	18.03	18.03
0530	17.97	18.03	18.03
0600	17.97	17.99	17.99
0630	18.05	18.06	18.06
0700	18.06	18.09	18.09
0730	27.46	25.24	27.35
0800	27.01	25.77	26.52
0830	27.69	30.71	33.66
0900	27.99	30.91	33.66
0930	33.26	31.58	34.98
1000	33.36	32.09	35.03
1030	33.40	33.77	36.61
1100	33.44	33.61	37.09
1130	33.58	34.15	37.44
1200	37.98	34.47	42.01
1230	37.66	36.57	41.65
1300	37.66	36.03	41.30
1330	28.10	33.43	36.41
1400	27.53	33.26	36.13
1430	26.39	27.07	29.73
1500	26.39	27.06	29.71
1530	26.39	27.04	29.69
1600	26.44	27.08	29.74
1630	34.89	33.05	36.92
1700	36.29	36.28	41.27
1730	36.25	36.18	41.17
1800	34.59	36.07	41.09
1830	27.30	26.94	29.57
1900	27.32	26.92	29.55
1930	33.28	26.92	29.59
2000	33.26	26.92	29.57
2030	33.24	37.95	40.97
2100	27.29	37.95	40.90
2130	25.41	26.70	28.70
2200	24.80	19.62	19.62
2230	24.80	19.62	19.62
2300	19.07	19.50	19.50
2330	18.54	19.50	19.50
2400	18.11	18.44	18.44

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh (final)	Pool selling price £/MWh
0030	21.01	20.37	22.90
0100	20.86	20.28	21.80
0130	18.01	18.86	22.31
0200	20.74	18.86	22.31
0230	20.74	18.86	22.31
0300	18.01	18.61	22.27
0330	18.00	17.98	17.98
0400	18.00	17.97	17.97
0430	18.00	17.97	17.97
0500	18.00	17.97	17.97
0530	17.98	17.99	21.33
0600	17.98	17.99	21.34
0630	17.98	17.98	17.98
0700	17.98	17.99	21.25
0730	17.98	19.00	26.41
0800	20.93	21.48	24.97
0830	21.05	21.77	25.29
0900	21.08	21.77	25.30
0930	21.32	22.06	25.63
1000	21.44	22.06	25.82
1030	21.44	22.29	25.76
1100	21.61	24.59	26.10
1130	22.45	24.59	28.09
1200	28.46	29.47	33.20
1230	26.89	32.00	35.81
1300	28.48	32.00	35.78
1330	23.61	32.00	35.82
1400	22.15	32.00	35.92
1430	21.96	22.29	25.79
1500	21.41	21.66	25.17
1530	18.09	18.10	18.10
1600	18.09	18.11	18.11
1630	18.04	18.11	18.11
1700	21.41	18.11	18.11
1730	21.44	21.65	25.17
1800	21.44	21.65	25.17
1830	21.44	21.65	25.17
1900	22.43	21.65	25.10
1930	26.92	22.28	25.69
2000	34.35	24.01	27.49
2030	34.35	25.20	28.72
2100	34.39	33.00	36.76
2130	25.69	33.00	36.72
2200	23.43	33.00	33.00
2230	23.43	19.00	19.00
2300	22.24	18.39	18.39
2330	18.06	18.16	18.16
2400	18.09	18.09	18.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 5:15pm Monday to Friday.
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FT CONFERENCES

INTERNATIONAL PACKAGING & THE ENVIRONMENT
London, 18 & 19 October
Legislation and the opportunities and problems facing the packaging industry and its customers will be reviewed together with co-operation in the packaging chain, recycling versus incineration. Speakers include : The Rt Hon John Gummer MP, Secretary of State for the Environment; Clemens Stroetmann from the German Federal Ministry for the Environment; Yannis Paleokrassas of the EEC, Thierry Marraud of St Gobain Group and Walter Brinkmann of Coca-Cola International.

AFTER THE RECESSION - WORLD COMMERCIAL AVIATION AT THE CROSSROADS
Dubai, 8, 9 & 10 November
Timed to coincide with the Dubai International Aerospace Exhibition, the conference will examine in depth the political, economic and structural changes which the commercial aviation industry is now facing and which will influence corporate policy and planning in the years ahead. Speakers include: H Sheikh Ahmed Bin Saeed Al Maktoum, President of the Dubai Department of Civil Aviation, Tan Sri Zain Azraai, Chairman of Malaysia Airlines, Mr Pieter Bouw, President of KLM Royal Dutch Airlines, Mr Colm Barrington, Assistant Chief Executive, GPA Group plc, and Dr William Fromme, Director, Air Navigation Bureau, International Civil Aviation Organisation.

WORLD ELECTRICITY
London, 16 &17 November
This annual meeting - the seventh in a series arranged jointly with Power in Europe - will provide a high-level forum for utilities and their regulators, as well as suppliers of equipment and services, to discuss how the electricity industry is responding to a more competitive environment. Issues to be addressed include Third Party Access, privatisation in emerging markets, tariffs and pricing in the CIS, fuel sources in a changing environment and the US experience of demand side management.

THE ECONOMICS OF RAIL PRIVATISATION - OPPORTUNITIES FOR THE PRIVATE SECTOR
London, 22 November
This high-level one-day conference will examine the opportunities - and pitfalls - in passenger service franchising, the new leasing market in railway rolling stock and the management of track infrastructure. Speakers include: The Rt Hon Roger Freeman MP, Minister for Public Transport; John Swift QC, Rail Regulator Designate; Roger Salmon, Franchising Director Designate and Robert Horton of Railtrack.

THE FIFTH FT PETROCHEMICALS CONFERENCE
London, 22 & 23 November
This year's conference will review the challenges facing the petrochemical industry; consider pricing, restructuring and competition. Authoritative speakers from Europe, North America, the Middle East and Latin America will examine key market developments.

VENTURE FORUM EUROPE '93
London, 29 November - 1 December
Arranged jointly by the Financial Times and Venture Economics, the Forum brings together industry experts from Europe and the USA to discuss the issues and opportunities affecting the European venture capital community. The Forum will include sessions on new approaches to fund raising; buyouts; the outlook for technology investing in Europe and future forecasts.

WORLD TELECOMMUNICATIONS
London, 7 & 8 December
The heart of the conference debate will focus on the trends changing the shape of the world telecommunications industry, with particular emphasis on regulation and the methods, challenges and obstacles of privatisation. Speakers include; Mr Don Cruickshank, Director General of OFTEL, Mr James H Quello, Chairman of the Federal Communications Commission, Mr Marc Dandelot, Conseiller d'Etat, French Ministry of Posts and Telecommunications, Mr Pál Horváth, Director General of the Hungarian Telecommunications Company and Mr Bessel Kok, Chief Executive Office of Belgacom.

THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND
Vienna, 13 & 14 December
BP, British Gas, Exxon, Gazprom, Shell and Statoil are among the organisations represented on the speaker platform at this high-level meeting, which will consider developments in key markets; worldwide supply and demand; gas prices, projects and infrastructure financing.

All enquiries should be addressed to : Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24 hour answering service) Telex: 27347 FTCONF G Fax: 071 873 3975/3969

COMPANY NOTICES

IRI reconsiders options for SME

By Haig Simonian in Milan

IRI, Italy's biggest state holding company which is mounting an ambitious privatisation campaign, will this week reconsider its options after another embarrassing setback.

IRI has said that it will re-examine plans to privatise the supermarkets and catering operations of its big SME foods and retailing subsidiary, after failing to find suitable buyers last week.

The group will turn to the government to redraw the criteria for disposing of the SME operations after potential buyers indicated they found the terms too unattractive to warrant acceptable bids.

The failure to sell SME's GS (supermarkets) and Autogrill (catering) arms follows last month's failure to sell another part of SME on account of a lack of acceptable bids.

Selling GS and Autogrill would have marked the biggest transaction in IRI's privatisation plans, which include the disposal of its majority stakes in Banca Commerciale Italiana and Credito Italiano, two of Italy's biggest banks.

The latest setback is a blow to IRI's credibility and especially to its urgent cash-raising plans. On Friday night, the group announced the creation of a new privatisation and restructuring department.

IRI, which had consolidated debts of about L73,000bn ($47bn) last year, has targeted privatisation receipts as a vital financial lifeline at a time when two of its biggest operations, Ilva (steel) and Iritecna (construction and general contracting) are losing money heavily.

Last week, IRI suffered a further blow when parliament failed to approve a government proposal to repay the group about L2,000bn in overdue tax credits.

SME's supermarket subsidiary had sales of L2,631bn last year, making it one of Italy's biggest retailers. The catering side is the nation's biggest operation of its kind, with 1993 turnover of L1,115bn.

IRI said the offers to buy just over half its 62 per cent holding, had been either "unsatisfactory" or had failed to conform to the terms stipulated.

IRI's management, advised by Wasserstein Perella, the US investment banking group, had adopted a complex formula to create a hard core of investors and avoid the need for a full public offer for the minority of shares already floating.

Separately, IRI could shortly announce the outcome of its renewed attempts to find buyers for SME's Cirio, Bertolli, De Rica (CBD) foods arm. The previous bidding round is believed to have collapsed when none of the interested parties came up with offers which met IRI's terms, or made very low bids.

The failure of the first round for CBD means potential buyers may now be allowed to bid for separate parts of the tinned foods, vegetable oils and milk group, rather than only for the entire operation.

Subject to government approval, the terms are also likely to be relaxed for SME's GS and Autogrill operations, with separate bids being permitted for the retailing and catering arms and potential buyers being allowed to take all IRI's 62 per cent stake, rather than having to form a consortium.

Wellcome takes 5% stake in US group

By Richard Waters in New York

WELLCOME, the UK-based drugs company, has agreed to take a 5 per cent stake in Centocor, once a high-flying US biotechnology company that was brought low last year when it failed to secure Food and Drug Administration approval for its main product.

Wellcome will help develop and market some of the company's anti-cancer drugs, principally Panorex, Centocor said on Friday. This drug is in final trials in Germany and its first sales there could come in 1995, said Mr David Holveck, chief executive.

Wellcome will buy 2m new shares in the company, whose stock closed on Friday before the announcement at $9¼. The price was not revealed but Mr Holveck said it was paying a premium. It will also pay royalties to the company, though these have yet to be agreed.

In a similar deal last year, Eli Lilly is believed to have paid $50m for a 5 per cent stake in Centocor as part of a plan to develop and market Centoxin, a treatment for bacterial infection.

The FDA's failure to approve Centoxin for the US market led to a collapse in the share price of Centocor, which had previously been among the top five US biotech companies by market capitalisation.

Privatisation programme gets under way in France

By John Ridding in Paris

THE French government's ambitious privatisation programme gets under way today with the start of the pre-marketing process for Banque Nationale de Paris, the state-owned bank.

The privatisation of BNP, the first of 21 state-controlled groups that the government of prime minister Edouard Balladur has targeted for sale, is expected to raise between FFr25bn and FFr30bn ($4.5bn to $5.3bn).

Mr Edmond Alphandéry, the economy minister, said that the privatisation of the bank would be completed by December 20 at the latest.

However, most market analysts believe that the timetable will be shorter.

The pre-marketing process, in which investors can make non-binding claims for shares, will provide the French government with a measure of the demand for the issue.

It will be used to determine the price at which the shares will be sold.

According to the economy ministry, the government will offer about 40 per cent of the share capital of BNP, or some 72m shares, for open sale.

At least half of this amount will be sold through a public offer in France.

About 12.5m shares will be sold to French institutions and some 23.5m shares will be placed abroad.

In addition, about 8m shares will be offered on preferential terms to BNP staff.

The government also confirmed that a core group of stable investors – including Union des Assurances de Paris, the state-owned insurance group – will hold about 30 per cent of BNP's shares after privatisation.

Individual French residents and citizens of the EC will have the right to at least 40 shares in BNP.

Investors who subscribed to the "Balladur bond", a government borrowing scheme launched earlier this year, will have the right to a further 40 shares if they convert some of their 6 per cent bonds into privatisation equity.

Austrian Industries in flotation move

By Ian Rodger in Vienna

AUSTRIAN Industries, the troubled state-owned metals and engineering group, has proposed hiving off several subsidiaries and then floating at least half of its equity in international capital markets early next year.

S.G. Warburg, which advised AI on the scheme, said the slimmed-down group, consisting only of its steel and related engineering businesses, would have a market value of about Sch15bn ($1.33bn).

Both AI and the Austrian government have long wanted to proceed with a flotation, not least because of the existence of a Sch3bn "going public" AI bond issue which is convertible into shares until 1995.

But they have been frustratedby spectacular losses at the group's Austria Metal (AMAG) aluminium subsidiary. These are likely to reach Sch13bn in the three years to 1994, swamping the profitability of the group's core businesses.

AI's main proposals are to sell all its non-core subsidiaries, including AMAG, back to its parent company, Oesterreichische Industriebeteiligungs (OIAG). On 1992 figures, this would leave a group with sales of Sch59.6bn, operating profits of Sch991m and net debt of Sch3.2bn, 23 per cent of shareholders'funds.

A few of the subsidiaries to be hived off, such as the Böhler Uddeholm special steels business and the VA Bergtechnik mining equipment unit, are successful and could be floated at a later time. Siemens has agreed to buy the SGP Verkehrstechnik railway equipment subsidiary.

Mr Michael Sekyra, AI chief executive, said the government had broadly accepted the plan and a final decision was expected next month.

The key to its success was for the government to underwrite the losses of AMAG until OIAG was able to sell off other holdings.

The government's problem is that it has promised not to commit any more taxpayers' money to the accident-prone nationalised industries. AI has proposed that it provide a temporary guarantee for OIAG borrowing, and it appears that this has been accepted.

Novelle gives away Unix rights

By Geof Wheelwright and Alan Cane

THE BATTLE among personal computer software suppliers for leadership in the multi-million dollar operating system market will take an unexpected and controversial turn tomorrow.

Mr Raymond Noorda, chief executive of the US networking specialist Novelle, will announce he is "giving away" Novelle's rights to Unix, one of the main contenders to become the standard operating software for networked computers, according to Unigram.X, an industry newsletter.

Less than three months ago, Novelle paid $320m to buy Unix Systems Laboratories from AT&T, the US telecommunications giant which developed the software.

Novelle is expected to give the rights to Unix to a computer industry consortium, X/Open, whose members include IBM, Hewlett-Packard and Sun Microsystems.

Novelle will apparently still collect royalties from Unix sales, but the move may pacify customers upset that a single company could control such important software.

Operating systems are the key to what functions a computer can perform and what software it can use.

Microsoft of the US grew to become the world's largest personal software company because of its ownership of MS/Dos, the most popular software for single-user computers.

Six weeks ago Microsoft introduced its own Unix-like software, Windows NT, and has been trying to establish it as the industry standard.

General Motors sells components offshoot

By Martin Dickson in New York

GENERAL Motors, which is divesting peripheral businesses in order to focus on its loss-making North American car operations, is selling its rear axle, propeller shaft and forging business to an investor group. The business will be renamed American Axle & Manufacturing and its chief executive will be Mr Richard Dausch, a former executive of Chrysler.

The deal with American Axle is the first significant sale by GM of one of its car components businesses, although it has also sold several operations not connected with the vehicle industry. Last week, for example, it sold its Allison Gas Turbine division in a leveraged buy-out.

GM put the American Axle businesses up for sale last December, and the deal is expected to be concluded by the end of this December.

Many analysts say that to improve its North American manufacturing costs, GM needs to shed many of its component operations, which frequently have higher labour and other costs than independent, non-union businesses. The company relies on its own subsidiaries for around 70 per cent of the components that go into its vehicles. However, the United Auto Workers union has adopted a generally hostile approach to moves by the company to source components from outside.

GM was quick to point out that as part of the deal, the UAW will continue to represent the new company's hourly-paid workers.

Mr Dausch, who resigned as executive vice-president of manufacturing at Chrysler in 1991, has recently been working in Detroit as a consultant.

NEWS DIGEST

Glaverbel in the red at six months

GLAVERBEL, the Belgian glass manufacturer, blamed its first loss for more than a decade on the depth of the European recession, restructuring costs and recent "competitive" currency devaluations within the European Community, *writes Andrew Hill in Brussels.*

The group announced an operating loss of BFr665m ($19m) for the first half, further aggravated by the BFr1.09bn cost of restructuring US and Belgian operations. It recorded a net interim loss of BFr1.75bn against a profit of BFr678m in the first half of last year.

Interim sales at the company, which has invested heavily in the US and the Czech Republic, fell by more than 10 per cent to BFr15.44bn (BFr17.26bn).

Mr Luc Willame, chief executive, said that excluding Glaverbec, the group's US subsidiary, sales had declined by 9 per cent, of which 2.5 per cent represented the effect of currency devaluations, notably in Italy and the UK.

A further 2.5 per cent of the decline was due to additional price pressure, and the remainder to a drop in volume.

The company, which will announce third-quarter results on October 27, said revenues for July and August were down by "mid-single digits" because volume gains had been offset by negative currency exchange and lower prices.

First-half rise for Zurich Insurance

ZURICH Insurance, Switzerland's largest insurer, has reported a 14.6 per cent jump in premium income in the first half to SFr13.6bn ($9.7bn) and forecast higher profits for the full year, *writes Ian Rodger.* Consolidated net income reached SFr491.4m last year.

The company said premium growth in the first-half, excluding acquisitions, was only 8.7 per cent.

Proton selects local partner

PROTON, the listed Malaysian car manufacturer, is to enter into partnership with another local company to make "model variants" of its cars, *writes Kieran Cooke in Kuala Lumpur.*

Diversified Resources, an assembler of foreign cars for the Malaysian market, will have a controlling stake in the new enterprise.

The move has caused some concern among industry analysts. They argue that the new arrangement, by transferring part of the car production process outside Proton's control, goes against the carmaker's efforts to achieve economies of scale.

Proton aims to produce up to 120,000 cars this year at its plant outside Kuala Lumpur and 150,000 units by 1995.

Diversified Resources is a relatively small company with a plant on the east coast of peninsular Malaysia, a considerable distance from Kuala Lumpur.

Proton, which receives substantial government protection, has captured about 70 per cent of the Malaysian car market.

The company also exports, with the UK its biggest overseas market.

Eastman Kodak warns on outlook

EASTMAN KODAK, the US photographic products company which recently ousted its chairman, has warned that it would be a "challenge" to match last year's third-quarter earnings per share, *writes Martin Dickson.*

The news hit Kodak's shares, which closed on Friday in New York at $59⅞, down $2.

In the third quarter of 1992 the company reported net earnings of $330m, or $1.01 a share, before special charges.

Kodak is searching for a new chairman from outside the company, following the forced resignation in August of Mr Kay Whitmore.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Correction in yields brings relief

LIKE a man with toothache who has finally succumbed to treatment, the gilt market is glad it's over. The big event was the long-awaited correction in yields to compensate for the fairly obvious overvaluation of UK bonds which has been a feature of the past month or so.

The excuse for the sell-off was the publication last Wednesday of Central Statistical Office figures showing a higher than expected rise in retail inflation last month.

Gilt traders were glad of the CSO's decision to release such data two hours earlier, which gave them more time to sell the securities and gave the gilt market its worst day since the pound left the European exchange rate mechanism a year ago.

After the fall of nearly 2 points for 15-year dated gilts on the day, the bonds traded nervously for the rest of the week. On Friday night, gilts of this maturity showed yields at just over 7 per cent on a par basis, roughly 20 basis points higher than the week before.

As a result of this change, the difference between UK government and German bond yields was quoted at around 1 percentage point, from the low of around 70 basis points recorded when gilts were performing particularly well in mid-August.

The big question now for the gilt market is whether the latest inflation data are a blip or whether the assumptions which have underpinned the market's recent rally will have to be jettisoned for good.

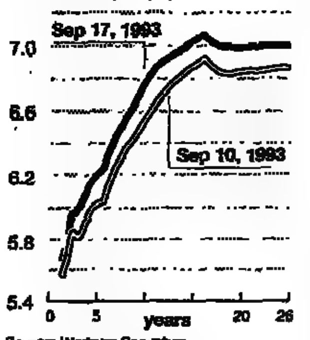
If it is the latter, then yields – particularly at the long end of the curve – may be expected to rise in the next few weeks.

The general mood in the gilt market last week, however, was that investor interest is likely to hold fairly steady in the near future. Although some economists warned of further nasty surprises on the inflation front, many went along with the sentiments of Mr Robin Aspinall, an economist at Panmure Gordon, who said the inflation figures were "nothing to get excited about".

In the year to August the retail prices index rose 1.7 per cent, up from 1.4 per cent in the 12 months to July. The Treasury's favoured measure of underlying inflation, the year-on-year rise in the RPI excluding mortgage interest payments, went up to 3.1 per cent in August from 2.9 per cent.

UK gilts yield

Restated at par (%)



Source: Warburg Securities

A large part of the rise was due to price increases in shops, apparently resulting from retailers trying to compensate for the recent pressure on margins linked to the recession and the long period of discounting.

However, Mr Hugh Clarke, trade policy director of the British Retail Consortium, a trade body for the sector, disputed that shops were in any position to push through big price increases. "A lot of retailers are still suffering fierce competition and weak demand and see little opportunity to increase prices," he said.

Also, the latest evidence on pay is that undue inflationary pressures appear to be dormant. According to the Confederation of British Industry, the pay bill in manufacturing has not grown at all this year and industry is heading for a reduction in unit labour costs this year for the first time since 1960.

Although the year-on-year underlying increase in average weekly earnings across the economy stayed static in July at 3.5 per cent, the same as in June, the figure is historically extremely low and illustrates the weakness of wage pressures.

UK economic data released this week are likely to provide few opportunities for big selling or buying, with most interest focusing on the second-quarter figures for gross domestic product in the second quarter due out tomorrow.

● Gilts were little moved by the announcement that the next gilt auction will be on September 29, when the Bank of England will sell an unspecified amount of stock in the maturity range 2002 to 2006 inclusive. Details of the amount and the auction stock will be announced tomorrow.

Peter Marsh

ABN-Amro to centre equities in London

By Norma Cohen, Investments Correspondent

ABN-AMRO, the Netherlands-based bank, is reorganising its worldwide investment banking activities along product lines, and plans to centre its international equities operations in London.

In abandoning the geographical organisation it has maintained until now, ABN-Amro is joining a growing trend among investment banks of recognising the increasingly cross-border nature of both investment management and securities trading.

The bank said that it believed the reorganisation would substantially enhance the international competitive position of its equity businesses.

Mr Nick Whitney, chief executive of ABN-Amro's UK stockbroking subsidiary, Hoare Govett, will become responsible for the global equity network.

Mr Whitney said the bank had concluded that geographic organisation has significant drawbacks for a firm with extensive international operations.

"Among other things, you may find yourselves emphasising one product to the detriment of others within a region," he said.

US MONEY AND CREDIT

Inflation genie refuses to stay in its bottle

THE inflation genie refuses to stay in its bottle. The US bond market's remarkable seven-week rally went into reverse last week as a fresh round of inflation worries hit traders.

The benchmark 30-year issue, which had dropped from a yield of 6.7 per cent in late July to 5.87 at the end of the week before last, backed up again and closed on Friday night at 6.04 per cent. The 10-year note yielded 5.37 per cent, up from 5.28 per cent.

The initial cause was statistics released on Tuesday showing a larger than expected rise in the consumer price index, which rose 0.3 per cent in August, compared to analysts' expectations of around 0.1 per cent.

That was followed on Thursday by stronger than expected weekly money supply figures, showing M2 rising by a sharp $12.7bn in the week to September 6, putting the M2 growth rate up 1.2 per cent compared to the fourth quarter of last year. This was just inside the Federal Reserve's target range of between 1 per cent and 5 per cent, and pushed the closing yield on the long bond above the psychologically significant 6 per cent barrier for the first time since September 2.

The anxiety was compounded by remarks during the week by Mr David Mullins, vice-chairman of the Fed, and separately by a group of US monetarist economists, about the dangers of a "bubble" of rising share and bond prices similar to that which destabilised Japan in the late 1980s.

The monetarists, who belong to the shadow open market committee, a group which challenges conventional wisdom on monetary policy, said the Fed was pursuing an irresponsibly expansive monetary policy and the economy was awash with liquidity.

Most of this liquidity had found its way into financial markets and this, rather than confidence in low inflation, accounted for the sharp fall in long bond yields.

This assessment runs counter to the views of most economists, who argue that the US's sluggish growth rate is in danger of even greater weakness as the federal government's new taxes take effect. Some argue the Fed should be considering more cuts in short term interest rates.

That, however, seems unlikely in the light of an interview Mr Mullins gave to the New York Times last week. Referring to concerns about a bubble, he declared: "That's one reason to be wary of being more accommodative."

The Fed's policy-making open market committee is due to meet on Tuesday and is generally expected to leave monetary policy unchanged. The economy is still expanding, albeit at a sluggish 2.5 per cent to 3 per cent a year, and despite the market's reaction, the August consumer price index was not too awful.

The index was distorted by sharp rise in clothing prices, and leaves consumer inflation running at an annual rate of only 2.9 per cent, compared with 3 per cent last year.

As for the "bubble" theory, many economists point out that the relationship between the growth of the monetary base and nominal income has been weak in the past, and that a yield of 6 per cent is not surprising, given the level of inflation.

Still, the shadow market committee has at least refocused the market's attention on the fact that the Fed will tighten monetary policy sooner or later, assuming the recovery holds.

In any event, the bond market had been heading for a correction after its sharp summer rise, and it has now got one. Whether the market can resume its advance will depend partly on the next round of economic statistics. But it will also depend on any further policy messages which may leak from the Fed over the next few weeks.

Martin Dickson

SPANISH BONDS

Investor optimism beginning to wane

THE August rally in Spanish bonds, almost entirely fuelled by non-residents, brought yields down by a full point to below 8 per cent. Ignoring events in Spain, the market travelled in the slipstream of enthusiasm elsewhere.

But time is running out for the government as it tries to convince the unions of the need for economic rigour, and the optimism that investors demonstrated last month is begining to wane.

Last week, bond prices fell by 2½ points and the long end of the market in particular remains vulnerable. Traders want to know, as soon as possible, what the government's much-heralded social pact agreement with the unions is going to look like.

In this interim period the good news is that the government and the unions are still talking. The bad news is that it is increasingly looking as if they are not talking about very meaningful rigour.

The economy and finance ministry is hinting that its 1994 inflation target will be 4 per cent, against a current annual rate of 4.6 per cent, although it could be reduced to 3.5 per cent if the unions agree to wage restraint.

The ministry also says that the general budget deficit will stand at around 5 per cent of GDP, perhaps as high as 5.5 per cent – around half a point less than what is expected this year.

Such targets are certainly not ambitious, particularly set against far more aggressive policies unveiled by other European governments.

The government's original plan was that negotiations over the social pact, the cornerstone of which is a three-year incomes policy, should be completed before the budget goes before parliament at the end of this month.

It appears that talks with the unions and the employers' confederation will continue to the end of the year, and that the wage restraint issue has been set aside to allow for prior agreement on social spending.

It is this apparent lack of ambition and seeming absence of urgency that is unsettling the market.

As things stand, the government is very unlikely to gain an agreement, as it originally wished, to reduce purchasing power by six points over the next three years. But it could gain assent to essentially flat wages through to 1996.

To lock the unions into such restraint the government will probably have to jettison part of its planned reform of the overtly rigid labour laws. But the prize will be the first forward-looking incomes policy in Spain since the early 1980s.

In its new mood of realism, Spain's bond market is right to believe that the short end of the curve is the safest. In any case, the Spanish yield curve is among the flattest in Europe, so the main reason not to buy the short end is that it could benefit less from a rally.

But looking ahead there is good reason for optimism to return. The onset of recession has been such that the government could have erred on the side of caution by suggesting a 4 per cent inflation target next year, and the Bank of Spain, once satisfied that there is a wage calendar in place, will be in the mood for cutting rates.

Tom Burns

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
Abb Intl Fin 6⅞ 98	200	104⅛	-⅛	4.62
Abbey Natl Treasury 6½ 03	1000	103⅞	-⅝	6.05
African Dev Bk 7⅜ 23	500	108⅛	-2	6.71
AlbertaProvince 8⅝ 98	750	111	-⅛	4.82
AlbertaProvince 9⅜ 95	600	109⅞	-⅛	4.36
American Express 0 00	450	64⅞	-⅛	6.32
American General 9¾ 96	100	108⅛	-⅛	4.52
American Intl 0 04	750	51⅛	-⅛	6.34
Amoco Canada 7¼ 02	250	109⅞	-⅛	5.59
Ashinag 7⅛ 02	200	110	-⅛	5.53
Asian Dev Bank 0 04	1000	81⅛	-⅛	6.27
Asian Dev Bank 8 98	100	109⅛	-⅛	4.70
Australia 11 95	200	110⅛	-⅛	4.34
Austria 7¼ 97	200	109⅛	-⅛	4.78
Austria 8½ 00	400	118⅛	-⅛	5.38
Austria 9¼ 95	100	111⅛	-⅛	4.59
Bank of Tokyo 8⅛ 98	120	108	-⅛	4.82
Banque Paribas 7½ 98	100	109⅞		4.94
Barclays Jersey 10⅛ 95	250	112	-⅛	4.85
BASF Fin Europe 7 98	500	107¼	-⅛	5.45
BAT Capital 8 98	400	102⅝	-⅛	5.39
Bayer USA 8¼ 98	150	108⅞	-⅛	5.02
Belgium 8 97	300	109⅜	-⅛	4.77
Belgium 8¼ 98	400	114½	-⅛	5.11
Belgium 9.20 10	500	125⅛	-1⅛	6.41
Belgium 9⅝ 98	250	118⅛	-⅛	5.15
Belgium Telecom 5¼ 98	500	101	-⅛	5.00
BFCE 7¼ 97	150	109¼	-⅛	4.79
BFCE 9¼ 95	150	111⅛	-⅛	4.27
BMW Leasing 7¾ 98	200	108¼	-⅛	5.01
Boots 9 97	175	111⅛	-⅛	5.16
BP America 9¼ 99	250	118⅝	-⅛	5.52
BPCA Finance 9¼ 98	150	111⅞	-⅛	5.37
British Columbia 7¼ 02	400	111⅞	-⅛	5.55
British Gas 0 21	1500	13⅞	-⅛	7.31
British Telecom Fin 8¼ 98	200	115	-⅛	5.50
British Telecom Fin 9⅞ 98	250	115	-⅛	5.29
Caisse Francaise 8¼ 02	350	108⅞	-⅛	5.92
Caisse Nat Energie 11⅛ 95	125	110⅛	-⅛	4.09
Canada 9 96	1000	110⅝	-⅛	4.35
Canada 10 96	500	111⅝	-⅛	4.29
Canadian Pacific 7½ 98	100	105⅞	-⅛	6.07
Cariplo 8¾ 98	200	112	-⅛	5.50
CCCE 8¾ 98	200	117⅛	-⅛	5.35
CCCE 9¼ 95	300	107⅛	-⅛	3.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 8½ 01	500	115½	-⅝	5.85
Osaka Gas 5¾ 98	250	102⅞	-⅛	5.16
Oslo 7⅜ 97	150	109½	-⅛	5.06
Oster Kontrollbank 8½ 01	200	117½	-½	5.58
Oster Kontrollbank 9 95	200	108⅞	-⅛	4.15
Petro-Canada 7¼ 96	200	106⅞	-⅛	4.68
Philip Morris 9⅞ 98	200	103	-⅛	6.09
Procter Gamble 9½ 98	200	115⅞	-⅛	5.34
Prudential Fin 8¼ 01	300	113⅞	-½	6.05
Prudential Rlty Secs 0 98	365	75⅞	-⅛	5.45
Qantas Airways 9⅞ 98	200	113	-⅛	4.83
Quebec Hydro 9 01	300	117⅛	-½	5.97
Quebec Hydro 9¾ 98	150	118⅛	-⅛	5.53
Quebec Prov 9 98	200	113⅝	-⅛	5.52
Queensland Govt 10¼ 95	100	110½	-⅛	4.39
Ralston Purina 11⅛ 95	150	110¼	-⅛	4.97
Reed Publishing 9⅞ 97	150	114⅞	-⅛	5.21
Rolls Royce Capital 7⅞ 03	300	104⅛	-⅛	6.48
Sainsbury 9⅞ 96	150	111⅛	-⅛	5.08
Sandoz o/s Fin 6⅞ 00	300	108⅛	-⅛	5.23
SAS 10 99	200	115		6.61
SAS 10¼ 95	150	109¼	-⅛	5.28
SBAB 9½ 95	500	109½	-⅛	4.27
SBC Finance 7¼ 96	200	106¼	-¼	4.72

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
Austria 5⅞ 97	900	100	+⅛	5.86
Belgium 7¼ 02	500	108	-⅛	6.48
Credit Foncier 7¼ 03	2000	105⅛	+⅛	6.46
Denmark 6⅛ 98	2000	100½		5.99
Deutsche Finance 7½ 95	1000	102	+⅛	5.88
ECSC 8⅝ 98	700	107½		6.00
EEC 6½ 00	2900	102⅝	+⅛	6.04
EIB 7⅝ 99	400	107⅝	+⅛	6.04
Finland 7½ 00	3000	105⅞		6.34
Ireland 7¾ 02	500	107¾	+¼	6.59
Italy 7¼ 98	5000	104	+⅛	6.17
Spain 7¼ 03	4000	105½	+¼	6.46
Sweden 8 97	2500	107⅛	+⅛	6.00
Tokyo Elec Power 7⅝ 02	1000	107¼		6.56
United Kingdom 7⅛ 97	5500	104⅝	+⅛	5.82
Volkswagen Intl Fin 7 03	1000	102¼		6.67
World Bank 0 15	2000	26¼	-⅛	6.19
World Bank 5¾ 98	300	101⅛		5.24
World Bank 8¾ 00	1250	114⅞	+⅝	5.94

FRENCH FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
CEPME 10 95	2000	108⅛	-⅛	6.08
Elec de France 8¾ 22	3000	120¼	-⅛	7.08
SNCF 9¼ 97	4000	110¼	-⅛	5.98

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
Asahi Glass	29/06/98	20⅛	-⅛	14.69
Canon	24/05/95	10⅝	-⅛	11.48
Casio Computer	04/03/97	21⅞	-1⅞	8.44
Dowa Mining	18/03/97	14	-2⅛	13.24
Hankyu Dept Stores	14/03/95	9⅝	-⅛	19.48
Kobe Steel	12/08/98	2⅞	+⅛	84.40
Mitsui Toatsu Chem	30/01/98	3⅞		
Moriroga	13/06/95	72½	-1½	11.74
Nichiro Corp	11/09/98	26½	-⅛	11.82
Nisshin Steel	18/04/99	2	-⅛	
Okura	30/01/95	10⅛	-⅛	12.28
Royal Hotel	14/03/95	1		98.90
SMC	25/07/95	3	-⅛	64.80
Takashimaya	02/07/96	7⅛	-1¼	33.25
Toyo Sash	05/08/97	8⅝		62.13
Yamatake-Honeywell	12/02/97	24⅞	-1¼	9.12

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on September 17

PUBLIC NOTICES

CONTRACTS & TENDERS

APPOINTMENTS

INTERNATIONAL BONDS

Electronic bridge clears way for quicker settlement

THE new electronic bridge set up last weekend by the world's two largest securities clearing houses is expected to save millions of dollars in transaction costs as well as improving processing speed and market liquidity.

In response to the sharp rise in cross-border trading over recent years, Cedel, the Luxembourg-based settlement firm owned by an international consortium of 104 banks, and Brussels-based Euroclear, which is owned by 119 financial institutions and operated by Morgan Guaranty Trust Co, signed an agreement in March 1992 to upgrade the bridge agreement which has existed between them since 1980.

The new bridge is aimed at offering customers "greater efficiency and liquidity, better cash management facilities and improved reporting," said Mr André Lussi, Cedel's chief executive.

Previously, transactions between customers of both houses were complicated by the fact that Cedel cleared trades during the day while Euroclear operated overnight, causing a time lag between delivery of securities and payment for them.

This meant that users of both systems were losing a day's worth of value and liquidity, and that they had to bear the burden of covering positions exposed by the time lag.

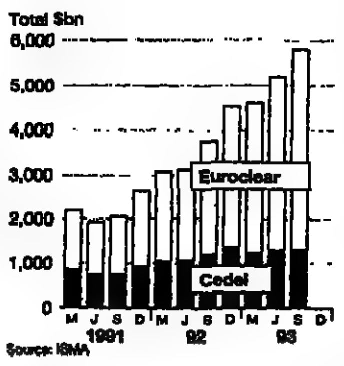
With its move to multiple overnight processing, Cedel's clients can settle back-to-back trades with Euroclear participants for same-day value. Clearing information is exchanged twice a night, so that the clearing houses can report their settlements to the banks by the following morning. There are plans to add a third file exchange per night in about a year.

Cedel stands to gain most from the new bridge agreement. Until now, the firm has been compensating its clients for the losses caused by the settlement delay. The subsidy cost Cedel some $65m in 1992 alone, said Mr Lussi.

Moreover, Cedel claims it has gained a competitive edge as it will now be processing trades around the clock. However, both houses are likely to move to 24-hour settlement processing eventually.

"There is no question [the bridge] makes Cedel much more competitive," said Mr John Olds, Euroclear's chief executive. The reason Euroclear went along with the innovation was that "the market wanted this issue resolved and wants to be able to choose between two viable competitors," he said.

Securities turnover



Source: ISMA

Observers now hope Cedel's savings will primarily benefit its customers. "Hopefully most of the savings will be passed on to the banks," said Mr John Langton, chief executive of the International Securities Market Association.

Competition between the two houses is set to sharpen as a result of the new bridge. "It will be interesting to see whether Cedel can claw back some market share" now that they are operating on a level playing field with Euroclear, said Mr John Dowsett, a partner with Luthy, Baillie, Dowsett, Pethick. Until now, Euroclear has held the lion's share of securities turnover.

Mr Olds of Euroclear said he would not be surprised if Cedel did gain market share, though he was quick to add "we have no intention of giving them our business."

At the end of the day, however, the real winner will be the market, observers agree. "I am delighted to see a new delivery-versus-payment system in place," said Mr John Langton of ISMA. "It will be a benefit to the market as a whole."

The bridge comes as ISMA members consider formally changing the Euromarket's existing settlement period from trade date plus seven working days to trade date plus two to three working days.

"I think it's absolutely essential that before the two to three-day period is agreed the bridge is in place," said ISMA's Mr Langton.

Technically, one to two day settlement has been feasible for some time, but its formal implementation may be facilitated by the bridge, observers say.

A reduction in the "open" period between transaction and settlement is seen as reducing the level of counterparty and market risks. Moreover, with shorter settlement, banks need to hold less capital in order to meet regulatory requirements.

Both clearing houses emphasise the flexible nature of the new bridge arrangement, the so-called "evolving bridge". Contrary to the former bridge agreement, which covered only the most basic areas of mutual interest, the new bridge is designed to to adapt to changing customer requirements and technological changes, and the two houses plan regular contact to discuss these issues as they arise.

"We are competitors, but we have excellent co-operation, and that's good for the market," Mr Lussi said.

Market participants now hope this bridge will lead to similar developments among other clearing houses.

"The market has been very much focused on the relationship between the two competing clearing systems, but what we're doing will probably be repeated in many markets," said Mr Olds.

Conner Middelmann

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kasumi Co.(a)φ	100	Sep.1997	0.875	100	-	-	Yamaichi Intl.(Europe)
Dhana Siam Fin. & Secs.(f)§	45	Oct.2003	4	100	-	-	CSFB
Republic of Venezuela	250	Sep.1995	6.75#	100.05R	6.723	+295 (3⅞%-95)	Goldman Sachs Intl.
Republic of Venezuela‡	50	Sep.1995	(g)	100R	-	-	Goldman Sachs Intl.
Metropolis of Tokyo	240	Oct.2003	5.50	99.34R	5.588	+28 (5¾%-03)	IBJ International
Safra Republic Holdings(h)‡	150	Sep.1998	(h)	99.75R	-	-	Merrill Lynch Intl.
Republic of Italy(m)	3.5bn	Sep.2023	6.875#	98.725R	6.977	+80 (7⅛%-23)	G. Sachs/ Solomon Bros.
Republic of Italy(m)	2bn	Sep.2003	6#	99.851R	6.020	+62 (5¾%-03)	G. Sachs/ Solomon Bros.
SBAB‡	250	Sep.1995	(i,n)	99.935R	-	-	Merrill Lynch Intl.
Citicorp‡	150	Sep.2005	(o)	100R	-	-	Kidder Peabody Intl.
ING Bank‡	100	Oct.2005	(r)	99.875R	-	-	Merrill Lynch Intl.
Banobras	100	Oct.1998	6.875#	99.97R	6.882	+210 (WI 5yr)	CSFB
Crédit National‡	100	Oct.2005	(w)	99.875R	-	-	Merrill Lynch Intl.
Helaba Finance, Neths.(x)	75	Oct.1995	8	100	-	-	CSFB
D-MARKS							
Kawasumi Laboratories(b)φ	65	Sep.1997	1.625	100	-	-	Nomura Bank (Deutsch.)
KfW International Finance	1.5bn	Oct.2003	6.25	99.85R	6.271	+14 (6½%-03)	Commerzbank/ CSFB
Kingdom of Denmark	102	Nov.1995	5.75	100.25	5.614	-	Daiwa Europe (Deutsch.)
BLFA Finance	250	Oct.2008	6.50	102.15	6.275	-	DG Bank
Deutsche Centralbodenkredit(p)	100	Oct.1995	6.50	100.80	-	-	Trinkaus & Burkhardt
Republic of Venezuela	300	Oct.2000	8.75	101.40	8.477	-	Westdeutsche LB
STERLING							
Barclays Bank(y)	100	undated	7.875	99.088R	8.011	+90 (8%-03)	Barclays de Zoete Wedd
FRENCH FRANCS							
Petroleos Mexicanos	750	Sep.1998	7.75	99.90R	7.775	+212½(6¾%-98)	Banque Paribas
Crédit Foncier de France	3bn	Oct.2008	6.50	98.60R	6.650	+20 (8½%-08)	Banque Paribas
European Investment Bank	2bn	Oct.2004	6.125	98.64R	6.300	+8 (8¼%-04)	Banque Paribas
Soc. Gén. Acceptance(q)‡	300	Dec.2003	(q)	99.40R	-	-	Société Générale
Südwestdeutsche LB Cp.Mkts.	1bn	Oct.1998	5.75	99.303R	5.915	+20 (5¾%-98)	Merrill Lynch Cap.Mkts.
YEN							
Hankyu Corp.(c)§	25bn	Sep.1998	1.25#	100	-	-	Daiwa Europe
Pokka Corp.(d)§	8bn	Mar.1998	1.375#	100	-	-	Nikko Merch. Bank(Sing.)
Uny Co.(l)	10bn	Jan.1998	3.80	100R	-	-	Tokai Bank Europe
Nissan Motor Co.(l,j)‡	10bn	Jan.1998	(l,j)	100R	-	-	Fuji Intl. Finance
Itochu Corp.(k)	3.5bn	Sep.1997	3.65	100.30R	-	-	Merrill Lynch Intl.
Euromol(f)	5bn	Feb.1999	4.20	100.27R	-	-	Sakura Finance Intl.
Mitsui & Co.(l,s)	5bn	Jan.1999	(s)	100.35R	-	-	Bank of Tokyo Cap.Mkts.
Mitsui & Co.(f)‡	5bn	Jan.1999	(f)	100.35R	-	-	Bank of Tokyo Cap.Mkts.
CANADIAN DOLLARS							
Kellogg Co.	265	Oct.1998	6.25	99.82R	6.293	+9 (6¼%-98)	Lehman Brothers Intl.
ABB International Finance‡	150	Oct.2003	(u)	100R	-	-	Deutsche Bank London
Minnesota Mining & Manufact.	150	Oct.1998	6.50	99.75R	6.560	+15 (6¼%-98)	Goldman Sachs Intl.
ECUS							
Council of Europe	150	Nov.2001	6.375	100R	6.375	-	Goldman Sachs/ UBS
Crédit Local de France	175	Sep.1998	6	100.125R	5.970	-	Goldman Sachs Intl.
Banque Indosuez	100	Oct.1998	6.25	99.92R	6.269	-	Daiwa Europe
De NIB(v)	150	Oct.1998	6	99.47R	6.126	-3.4 (7¼%-98)	Nomura International
PESETAS							
DSL Bank	10bn	Oct.1998	8.75	101.40	8.398	-	BN Argentaria/ Midland
SWISS FRANCS							
Nagawa Co.(e)*§	60	Sep.1997	0.125#	100	-	-	Nomura Bank (Switz.)
Yukong(l,j)*§	70	Dec.1998	1	100	-	-	Swiss Bank Corp.
City of Copenhagen	100	Nov.2003	4.625	102.875	4.266	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: $10,000 + 8 warrants. Exercise price: Y1230. FX: 107.00Y/$. b) Denom.: DM5,000 + 5 warrants. Exercise price: Y2838. FX: 67.02Y/DM. c) Conversion price: Y887. Long 1st coupon. d) Conversion price: Y1722. Callable, subject to 130% rule, on 31/3/94 at 102% declining ½% semi-annually. e) Conversion price: Y2280. FX: 77.02Y/SFr. Callable on 30/9/95 at 102% declining ½% semi-annually. Callable, subject to 150% rule, on 31/3/94 at 101¾% declining ¼% semi-annually. f) Conversion price: 280.08baht. FX: 25.17baht/$. Mandatory conversion after 3 years subject to 140% rule. g) Coupon pays 6-month Libor + 2.8%. h) Increased from $100m; increase has issue price of 99. Issued on a fiduciary basis by Chase Manhattan Lux. Coupon pays 6-month Libor flat. Callable at par on coupon dates from 28/9/96. i) Short 1st coupon. j) Coupon pays 3.85% on 28/1/94,95,96 and 97 and 6-month Libor - 0.125% in the last 6-months. Puttable on 28/1/97 at par. k) Short 1st and 2nd coupons. l) Conversion price: 25,036 Won. FX: 581.17 Won/SFr. Callable, subject to 130% rule, on 31/12/94 declining by ½% annually. Callable on 31/12/96 at 101% declining by ½% annually. m) 2-tranche global deal. n) Coupon pays 6-month Libor flat. o) Coupon pays 3-month Libor - 0.25%; minimum 5.5%, maximum 9%. p) Borrower may redeem each DM10,000 bond at maturity at face value or $5,325 (FX: 1.58DM/$). However, repayment will be in DM only if FX exceeds 1.72DM/$ for 2 consecutive day. q) Issue launched on 9/9/93 was increased to FFr800m. Coupon pays 7% (money market basis) in first 6 months and 15.5% - 1.75 x 3-month Pibor thereafter. r) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. s) Coupon pays 4% until 6/1/97 and 5.5% thereafter. Callable on 6/1/97 at par. t) Coupon pays 6-month Libor - 0.375%; minimum 4%, maximum 8%. u) Coupon pays 3-month BA's - 0.3%; minimum 6%, maximum 8.65%. v) Spread relates to French BTAN's. w) Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. x) Redemption proceeds = 100% + 20 x (5.85 - 5yr FFr offer swap rate), paid in $. Long last coupon. y) Callable at the higher of par or a yield flat to gilts. Callable every 10 years at par if not called coupon will be reset at the higher of the then current coupon or 180bp over the then 10-year benchmark gilt. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Secondary market investors turn to eastern Europe

As the secondary market in Latin American commercial bank debt has matured and become more expensive, successful investors in that market have turned to eastern Europe.

"The LDC debt market relies on the improvement in economic management," said Mr Mark Evans of ING Bank, "and that process is clearly under way in eastern Europe."

Trading volume in eastern European debt has surged this year as the market rallied. Poland's commercial bank debt has been actively traded for a number of years, but Russia and Bulgaria both defaulted on their debt more recently.

Continental Bank estimates that trading volume in Russian debt will have grown from around $800m in 1992 to between $3bn and $4bn in 1993, while annual volume in Polish debt is around $15bn.

The scope of the market's investor base is also growing rapidly. "The market has broadened from hedge funds and specialist LDC boutiques to portfolio managers, and, particularly in the last six months, to investors in North and Central America," said Mr Igor Sitnin of Continental Bank.

Low interest rates may spell good news for most companies, but they leave investors starved of high-yield investments. In the quest for yield, they have extended the maturity of their bond holdings, bought "junk" bonds and ventured into the emerging bond markets. The eastern European secondary debt market "offers the next big opportunity," claims one bank salesman – but it is also a highly volatile market.

Even Polish debt, the most mature market, has ranged between a low of 24½ cents in the dollar and a high of 39 cents. (When Bulgaria defaulted on its bank debt in 1990, the price of the debt fell from 95 cents to 5 cents in under a year.)

But the magnet for investors is that potentially there are large gains to be made, if the experience in the Latin American debt market is to be repeated.

Investors who bought Russian Vnesheconombank debt at the turn of the year for 15½ cents in the dollar have seen their investment more than double to 36½ cents.

Mr Paul Luke, head of developing country research at Morgan Grenfell, points out that Russian bonds, which were never in default, have performed particularly well.

He argues that Russian bonds are not likely to be rescheduled. "Looking forward, it would take an extraordinarily severe foreign exchange crisis or complete political melt-down to oblige Russia to cease paying on its bonds."

But the outlook for further strong performance in eastern European debt is also viewed as positive.

"Russia is talking to the London club and has promised $500m in payments this autumn," said Mr Sitnin. "If that payment goes ahead, there is room for significant price improvement."

Bulgaria is also talking to its banks while Poland is expected to go ahead with a Brady-style debt agreement.

Traders say the market will be vulnerable not only to the progress of debt negotiations, but also to the performance of the Treasury bond market. Low interest rates also make it easier for countries to pay their interest. Veterans of the Latin American debt market are ready to ride any potential storms.

● The notional principal value of foreign currency and interest rate swaps outstanding at the end of 1992 reached $4,600bn, an increase of 19 per cent over year-end 1991, according to a market survey conducted by Arthur Andersen for the International Swaps and Derivatives Association.

The increase in swap activity came mainly from trade in non-US debt instruments. Capital at risk in a swap is the cash flows it generates, usually two to four per cent of its notional value.

In the second half of 1992, new interest rate swaps contracts increased by 14 per cent over the first half, to a notional value of $1,500bn. Foreign exchange swap volume declined by 6 per cent from the first half, to $146bn.

ISDA said a decline in short-term interest rates in the US appears to have reduced the demand for interest rate swaps among corporate end-users.

Tracy Corrigan

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 17

MONTREAL

4 pm close September 17

INDICES

NEW YORK

DOW JONES	Sep 17	Sep 16	Sep 15	Sep 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3613.25	3630.85	3633.65	3615.76	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.29	109.27	109.30	109.24	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1621.08	1626.35	1624.29	1612.53	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	254.02	254.22	254.48	253.14	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3637.28 (3651.25) Low 3590.83 (3601.73) (Theoretical)
Day's High 3630.65 (3653.65) Low 3600.56 (3617.44) (Actual)

STANDARD AND POOR'S

	Sep 17	Sep 16	Sep 15	Sep 14	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	458.83	460.43	461.60	458.90	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials‡	516.08	516.89	519.08	517.48	524.99 (10/9)	489.49 (26/4)	524.99 (10/9/93)	3.62 (21/6/32)
Financial	47.57	47.55	47.70	47.70	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	254.86	254.84	255.67	254.97	256.86 (31/8)	236.21 (8/1)	256.86 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	453.81	453.66	453.74	452.76	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	740.99	739.80	739.85	732.84	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 10	Sep 3	Aug 27	year ago (approx.)
Dow Industrial Div. Yield	2.61	2.60	2.60	3.12

	Sep 15	Sep 8	Sep 1	year ago (approx.)
S & P Industrial div. yield	2.47	2.49	2.45	2.83
S & P Ind. P/E ratio	27.84	27.57	26.07	27.77

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Friday, September 17, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.1m	331	-5	Matsushita E Ind	2.8m	1,420	-30
Hitachi	4.1m	828	-17	Nippon Oil	2.7m	799	+7
Fujitsu	3.4m	800	-7	Mitsubishi Hvy	2.6m	686	-2
Nikkatsu	3.4m	24	-2	NEC Corp	2.5m	865	-10
Sumitomo Bank	3.0m	2,280	+10	Nomura Sec	2.4m	2,060	-30

JAPAN

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Managed Acc	5¼	48.41	48.41	48.32	1.48	4135
UK Equity Gth Acc	5¼	82.78	83.90	87.90	1.26	4139
UK Eq High Inc Inc	5¼	37.93	37.93	40.31	3.44	4140
UK Eq High Inc Acc	5¼	45.04	45.04	47.85	3.44	4082
UK Equity Gen Acc	5¼	56.49	57.54	61.14	2.13	4141
UK Equity Gen Inc	5¼	42.78	43.57	46.30	2.13	4142
UK Larger Cos Acc	F 7½	392.1	394.3	427.9	3.65	4143
UK Larger Cos Inc	F 7½	298.8	302.9	330.7	3.65	4101
Gilt & Fxd Int Inc	5¼	32.96	33.04	34.95	5.84	4145
O'seas Lrg Cos Acc	F 7½	287.4	292.5	317.4	1.23	4146
Nth American Acc	5¼	43.20	43.46	46.18	0.89	4147
Far East Acc	5¼	59.39	59.39	63.11	0.33	4149
European Acc	5¼	44.11	44.11	46.87	0.74	4148

INSURANCES

OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Provident Mutual Life Assc. Assn. - Contd.

Prudential Assurance Co.

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Life (Unit Linked Assurance) Ltd

Royal Life (Unit Linked Pension) Ltd

Royal Liver Assurance

S-E-Scotlan Life Assurance Co Ltd

Save & Prosper Group (x)

Scottish Amicable

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Skandia Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Sun Life (Bermuda) Ltd

Royal Skandia Life Assurance Ltd - Contd.

Scottish Provident Life Assurance Ltd

Sun Alliance International Life

Royal Life Intl. Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

Guinness Flight Fd Mngrs (Guernsey) Ltd

Guinness Flight International Accum Fund (Ballt)

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada (Channel Is) Mgrs Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers (Ireland) Ltd

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Dominion Fund Administrators Ltd

GT Asset Management (Ireland) Ltd

Genesis Portfolio Managers Limited

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

Old Mutual International Fd Mngrs Ltd (u)

Old Mutual International Ltd

Paine Webber Offshore Funds Plc (u)

J. Rothschild International Assc plc

Ulster Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs (1600)F

Asset Global Funds Ltd (1200)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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John Govett (Channel Islands) Ltd (1000)F
6 Mulcaster Place, Helier, Jersey 0534 38578
Global Stock Inv Ltd (Fully Granted Resident)

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Global Equity		–	–	–	–	4726
Global High Income	5½	$11.13	11.13	11.17	10.6	4729
Dollar Cash	6½	$8.84	8.84	8.87	3.00	4732
Japanese Smlr Cos	5	Y983	983	995	0.00	4737
Far East Equity	5½	$17.30	17.30	17.76	1.80	4738
US Smaller Cos	5½	$17.21	17.21	17.61	0.75	4739
European Equity	6½	[illegible]	13.25	13.38	2.00	4730
UK High Income	5	£5.55	5.55	5.58	8.40	4731

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 604614

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Stg Fixed Int	3½	£1.373	1.373	1.439	7.21	[illegible]
Offshore High Yield	3½	£1.555	1.555	1.616	9.38	[illegible]
Global Equity Fund	5½	$16.98	16.98	18.16	0.00	[illegible]
European Equity	5½	[illegible]	21.01	22.47	1.86	[illegible]
UK Growth (CI Fund)	5½	£5.344	5.344	5.716	1.65	[illegible]
Nth American Eqty	5½	$11.58	11.58	12.38	0.00	[illegible]
Far Eastern Eqty	5½	£15.01	15.01	16.05	0.00	[illegible]
International Mngd	5½	£13.72	13.74	14.69	0.00	[illegible]
Intnl. Bond Fund						
Sterling Managed	3½	£12.19	12.19	12.72	7.42	[illegible]
US Dollar Managed	3½	$14.21	14.21	14.83	5.42	[illegible]
International Currency Fund						
Sterling Managed	3½	£32.70	32.70	33.69	–	[illegible]
US Dollar Managed	3½	$31.26	31.26	32.39	–	[illegible]
Sterling	0	£29.84	29.84	29.84	4.84	[illegible]
US Dollar	0	$40.25	40.25	40.25	1.82	[illegible]
Deutschemark	0	DM70.91	70.91	70.91	5.84	[illegible]
Japanese Yen	0	Y5155	5155	5155	1.50	[illegible]
Swiss Franc	0	[illegible]	52.98	52.98	3.49	[illegible]
Irish Punts	0	[illegible]	25.61	25.61	4.18	[illegible]

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Lloyds Tst. Gilt	3½	£10.760	10.790	11.370	7.16	[illegible]

Dealing daily

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Awaiting M3

CURRENCY dealers will focus on the performance of the dollar/D-Mark exchange rate this week, with key data coming out in both countries, *writes James Blitz.*

Few dealers expect any change in official interest rates at this week's Bundesbank council meeting, which is set to be Mr Helmut Schlesinger's last as president.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, there have been several indications that M3 money supply data for August and consumer price inflation for September have both been somewhat lower than expected, raising expectations that the Bundesbank will ease policy more quickly than anticipated.

The M3 data could come out at any time from today. Dealers had been expecting the figure to be well above 8 per cent because of the huge intervention by the Bundesbank to support European exchange rate mechanism currencies last month. However, Mr Schlesinger strongly hinted last week that the outlook for M3 may be better than the market expects.

Consumer prices data for the German Länder are also due throughout this week. Some analysts are optimistic about the outlook for German inflation, suggesting that it could be as low as 4 per cent for western Germany this month.

In the US, the only data that might affect the dollar are the durable goods orders for August, due on Friday. The market consensus is for a month-on-month rise of 1.5 per cent.

In the UK, today's M4 lending figures for August, due today, could have a significant impact on the pound. The market appears to be expecting M4 lending to have been £2.5bn – but a lower figure could increase the speculation about a base rate cut before the end of the year, which was gaining ground at the end of last week.

£ IN NEW YORK

Sep 17	Close	Previous Close
£ Spot	1.5310-1.5320	1.5320-1.5330
1 month	0.37-0.34pm	0.37-0.35pm
3 months	1.08-1.03pm	1.07-1.04pm
12 months	3.32-3.22pm	3.38-3.28pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

Sep 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5240 - 1.5360	1.5340 - 1.5350	0.36-0.34cpm	2.74	1.08-1.03pm	2.72
Canada	2.0035 - 2.0170	2.0105 - 2.0115	0.28-0.18cpm	1.31	0.62-0.48pm	1.09
Netherlands	2.7580 - 2.7800	2.7700 - 2.7800	par-¼cdis	-0.27	¼-⅜dis	-0.38
Belgium	52.30 - 52.90	52.80 - 52.90	15-22cdis	-4.2	38-53dis	-3.37
Denmark	10.0200 - 10.0870	10.0800 - 10.0700	3⅝-4½oredis	-4.84	9⅛-11⅝dis	-4.02
Ireland	1.0550 - 1.0680	1.0575 - 1.0585	0.07-0.09cdis	-0.91	0.18-0.23dis	-0.79
Germany	2.4540 - 2.4735	2.4675 - 2.4725	⅛-¼pfdis	-0.91	⅝-¾dis	-0.91
Portugal	250.80 - 252.80	251.80 - 252.80	93-140cdis	-5.54	264-304dis	-5.13
Spain	196.00 - 198.30	197.85 - 197.85	70-79cdis	-4.52	200-222dis	-4.27
Italy	2371.10 - 2393.30	2387.25 - 2388.25	5-7liredis	-3.02	17-20dis	-3.10
Norway	10.7130 - 10.7800	10.7700 - 10.7800	⅛-⅝oredis	-0.42	⅛-1⅝dis	-0.44
France	8.5800 - 8.6250	8.6150 - 8.6250	¼-1½cdis	-1.31	2⅛-3dis	-1.25
Sweden	12.0940 - 12.2700	12.2600 - 12.2700	1⅝-2⅜oredis	-1.96	4⅛-5½dis	-1.57
Japan	159.05 - 160.50	159.50 - 160.50	½-¼ypm	3.28	1½-1¼pm	3.44
Austria	17.29 - 17.38	17.34 - 17.37	½-1½grodis	-0.69	1⅞-3⅞dis	-0.66
Switzerland	2.1415 - 2.1550	2.1450 - 2.1650	⅛-⅛cpm	1.06	⅝-½pm	1.16
Ecu	1.2925 - 1.3020	1.2975 - 1.2985	0.20-0.23cdis	-1.99	0.52-0.58dis	-1.69

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.84-1.78pm. 12 Month 3.27-3.17pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5240 - 1.5350	1.5340 - 1.5350	0.38-0.34cpm	2.74	1.08-1.03pm	2.72
Ireland†	1.4355 - 1.4485	1.4405 - 1.4415	0.47-0.45cpm	3.83	1.34-1.29pm	3.65
Canada	1.3115 - 1.3145	1.3135 - 1.3145	0.14-0.17cdis	-1.42	0.51-0.57dis	-1.64
Netherlands	1.8015 - 1.8170	1.8080 - 1.8090	0.48-0.51cdis	-3.28	1.39-1.44dis	-3.13
Belgium	34.20 - 34.55	34.40 - 34.50	16.00-21.00cdis	-6.44	47.00-54.00dis	-5.86
Denmark	6.5575 - 6.6010	6.5575 - 6.5625	4.10-4.40oredis	-7.77	11.00-11.60dis	-6.89
Germany	1.6040 - 1.6180	1.6090 - 1.6100	0.48-0.50pfdis	-3.69	1.38-1.40dis	-3.45
Portugal	164.20 - 165.40	164.20 - 164.30	108-114cdis	-8.15	316-331dis	-7.88
Spain	128.40 - 129.80	129.05 - 129.15	78-81cdis	-7.39	227-233dis	-7.13
Italy	1551.00 - 1564.00	1535.75 - 1558.25	7.80-7.90liredis	-5.98	22.90-23.40dis	-5.95
Norway	7.0025 - 7.0450	7.0200 - 7.0250	1.70-2.05oredis	-3.20	5.45-6.00dis	-3.26
France	5.6025 - 5.6465	5.6150 - 5.6200	1.87-1.97cdis	-4.10	5.54-5.68dis	-4.00
Sweden	7.9210 - 8.0130	7.9900 - 7.9950	3.00-3.40oredis	-4.80	8.40-8.90dis	-4.33
Japan	104.15 - 104.65	104.30 - 104.40	0.04-0.03ypm	0.40	0.15-0.13pm	0.54
Austria	11.3000 - 11.3750	11.3075 - 11.3125	3.20-3.45grodis	-3.53	9.30-10.05dis	[illegible]
Switzerland	1.3960 - 1.4080	1.4000 - 1.4010	0.18-0.21cdis	-1.67	0.52-0.58dis	[illegible]
Ecu†	1.1745 - 1.1835	1.1790 - 1.1800	0.47-0.45cpm	4.73	1.33-1.31pm	4.48

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

STOCK INDICES

	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 10	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	3005.5	3003.9	2989.4	3026.0	3024.8	3037.0	3100.6	2737.6	3100.6	986.9
FT-SE Mid 250	3425.7	3421.2	3424.1	3458.6	3471.5	3476.3	3513.3	2878.3	3513.3	1379.4
FT-SE-A 350	1505.6	1505.5	1500.2	1516.6	1518.8	1523.8	1552.2	1348.7	1552.2	664.5
FT-A All-Share	1494.29	1493.42	1488.64	1505.10	1506.43	1511.39	1537.57	1309.13	1537.57	61.92
FT-SE Eurotrack 100	1265.02	1257.07	1260.47	1279.94	1276.64	1283.72	1319.96	1063.02	1319.96	800.45
FT-SE Eurotrack 200	1343.60	1336.87	1337.35	1357.12	1351.04	1355.64	1397.66	1144.79	1397.66	938.62
FT Ordinary	2331.0	2331.2	2321.2	2354.1	2354.7	2365.3	2414.2	2124.7	2414.2	49.4
FT Government Secs.	101.51	101.53	101.46	102.34	102.86	102.64	102.86	93.28	127.40	49.18
FT Fixed Interest	122.85	123.07	124.05	124.85	124.99	124.94	125.20	106.87	125.20	50.53
FT Gold Mines	169.1	168.9	165.0	145.4	151.3	159.7	249.2	60.0	734.7	43.5

LONDON SHARE SERVICE

Continued on next page

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Europa Mins	32	-8.6	–	–	–	–	3427
Glencar Expl IE	12	.....	–	–	–	–	–
Greenwich Res	13¾	-1.8	–	–	–	–	3773
Hambo Gold C$	65⅞	2.2	Q28c	–	Dec Jun	8.11	–
Ivernia West IE	42	.....	–	–	–	–	–
Kells Minls IE	11	.....	–	–	–	–	3741
Kenmare	8½	-2.9	–	–	–	–	1492
Malaga Res.	8½	-13.6	–	–	–	–	–
Navan Res IE	92	-4.2	–	–	–	–	1693
5pc Ln Notes	66¾	-6.5	–	–	–	–	–
Oryx Gold	73½	1.4	–		–	–	3398
Ormoca Res IE	8	.....	–	–	–	–	1478
RTZ	686	-3.6	18.5	1.7	Dec Aug	7.6	3898

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- "Tap Stock"
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Forecast dividend; cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

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4 pm close September 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	650	98	13⅛	12⅞	13	+⅛
29⅜	13¾	A L Labs A	0.18	1.0	37	296	18⅝	18½	18⅝	
66⅛	54⅝	AMP Inc	1.60	2.5	23	2882	65⅛	64¾	65⅛	
72¾	55½	AMR			16	3957	65⅛	64⅞	64⅝	-⅛
3½	1¾	ARX			12	271	3⅜	3¼	3⅜	
61½	29⅞	ASA	2.00	4.9	27	885	41⅝	40⅞	41⅛	-½
30¼	22⅝	Abbott Lab	0.68	2.6	16	23008	26½	25⅝	26⅛	-⅛
12⅝	9¼	Abitibi Pr	0.50	5.4	4	3	9¼	9¼	9¼	-⅛
15¼	8¾	Acplocele			44	75	14⅜	14⅛	14¼	
36	25½	ACE Ltd	0.40	1.2		450	33⅝	33½	33½	-⅛
12	10¾	ACM Gvt In x	0.96	8.8		569	11⅛	11	11⅛	
10	9⅛	ACM GvOpp x	0.80	8.2		278	9⅞	9⅝	9¾	+⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.4		426	9½	9⅜	9½	
11⅝	10½	ACM Gvt Se	0.96	8.6		783	11⅛	11	11⅛	
11⅝	9⅝	ACM Man x	1.08	9.4		88	11½	11⅜	11½	+⅛
9⅝	8⅝	ACM Mgogd x	0.72	7.8		137	9¼	9⅛	9¼	+⅛
12⅞	7¾	Acme Cleve	0.44	4.6	12	59	9¾	9⅝	9⅝	+⅛
9⅛	6½	Acme Elect			50	5	7⅛	7	7⅛	+⅛
27⅝	18⅝	Acordia	0.44	1.6	15	20	27	26⅞	27	
16	10⅝	Acuson			31	1463	11⅜	11⅛	11¼	
21¾	18	Adams Expr	0.48	2.5	0	202	19⅜	19¼	19¼	
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Continued on next page

4 pm close September 17

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close September 17

- A -

- B -

- C -

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AMEX COMPOSITE PRICES

4 pm close September 17

MONDAY INTERVIEW

Poised for the home run

Ted Turner, founder of Cable News Network, speaks to **Raymond Snoddy**

Jane Fonda's husband is set to make his acting debut in a film which receives its premier next month. By any standards the scale of the film is enormous, with more than 5,000 extras and a running time of four hours and eight minutes.

The film is Gettysberg, the story of the American civil war, where 150,000 fought and 50,000 died. The man responsible for it is Jane Fonda's husband – Mr Ted Turner, founder of Cable News Network (CNN), the 24-hour satellite news service, owner of the Atlanta Braves baseball team and much more besides.

"You have to watch closely. I'm only in the film for 30 seconds and then I get shot," says Mr Turner, a southerner who naturally plays a Confederate colonel leading a charge on the Yankees.

As a civil war buff – the entrance to the boardroom of Turner Broadcasting System, Mr Turner's holding company, is lined with guns from the American civil war – Mr Turner is keen to show off his new $18m film.

In his vast office on the 14th floor of the CNN Center in Atlanta, an office crammed with personal memorabilia, including silver yachting trophies, basketballs and a doll of his favourite admiral, Lord Horatio Nelson, Mr Turner presses a button and a large movie screen slides electronically from the ceiling.

As the clips of the Gettysberg run its proud owner remarks on the absence of fashionable and gratuitious nastiness.

"We made it in the old-fashioned way," says Mr Turner, owner of the MGM library, which includes classics such as Gone with the Wind, Singing in the Rain and the Wizard of Oz.

His enthusiasm for Hollywood and feature films is unmistakable. In 1986 he bought MGM for $1.5bn and also took on $500m in debt as part of the purchase price. But the financial strain of the deal forced him to sell most of MGM, including the famous roaring lion logo, leaving him with only the library.

Now Mr Turner has mounted another attack on Hollywood with last month's $672m (£450m) agreement to buy two independent studios: Castle Rock, which produced hit films such as In the Line of Fire and A Few Good Men, and New Line Cinema, best known for lower budget pictures such as Teenage Mutant Ninja Turtles and Nightmare on Elm Street.

"I had to [buy back into Hollywood]. No question," said Mr Turner in sanguine mood the day after the Altanta Braves had unexpectedly beaten the Cincinnati Reds, making a place in the World Series more likely.

"I have more than 3,000 old movies (from the MGM library) and no new movies except television movies. If you are going to be a big player you have got to have the product. Rupert [Murdoch] has got Twentieth Century Fox studios," he says.

Mr Rupert Murdoch, chairman of The News Corporation, is Mr Turner's bugbear: the subject of Mr Murdoch creeps frequently into the interview.

Mr Murdoch may have been one of the reasons why the elusive Mr Turner agreed to speak to European newspapers and magazines to coincide with the launch last Friday of his new satellite channel, TNT, largely based on the MGM library and the Cartoon Network. (The TNT/Cartoon Network is already beamed to Latin America and Mr Turner is considering extending it to Asia.)

Mr Murdoch's skillful generation of headlines with his promises to beam Sky News around the world and develop Star TV in Asia, seem to have caused irritation at CNN. After all, say Mr Turner's staff in Atlanta, CNN is already broadcasting worldwide on 13 satellites and, on big story days such as the Middle East settlement, is viewed by as many as 1bn people through satellite, cable and rebroadcast extracts.

Mr Turner does not mince his words on Mr Murdoch. "He wants to conquer the world. I don't want to conquer it. I just want to be one among many. I want to entertain and inform the world," says Mr Turner with passion.

Mr Turner is critical of The News Corporation chairman on three fronts: his decision to give up his Australian citizenship in favour of an American one so that he could own a US network; his eagerness to go downmarket to increase sales; and Mr Murdoch's political interference in his newspapers.

"We all know Mr Murdoch would go downmarket at the drop of a hat and that's something we haven't done. He has also used his newspapers to promote his own political views and that is something I don't do [through CNN]. Everyone should have their say," says Mr Turner, who has campaigned with his wife on environment issues and on reducing the amount of violence on American television.

"We have the sweeter stuff – its Yogi Bear," he says, pointing to his tie depicting characters from The Flintstones, another old-fashioned favourite in the Turner library.

"The easiest way to make a quick buck is to go downmarket, to take off clothes, to blow someone's brains out, to stage a car crash." Mr Turner insists his programme channels will stick to "the high ground", a course that will, ultimately, he believes, prove the soundest business strategy.

The only thing that cheers him up about Mr Murdoch is his age: Mr Murdoch is 62, eight years older than Mr Turner.

"I'm a lot smaller than Rupert (in terms of business size) but Rupert is a lot older than I am. According to the actuarial tables I'll have 10 years after he's gone off if everything works out right."

Whatever the age differences, the pressure is on as the new breed of international media moguls compete to integrate the production and distrubution of films and televison programes and beam their channels around the world by satellite.

Mr Murdoch, Mr Turner and Mr Sumner Redstone's Viacom, owner of MTV the pop music channel and Nickelodeon the children's channel, are at the forefront of this race. Mr Redstone has just staked his claim for such status with an $8bn bid for Paramount, one of the few Hollywood studios not controlled by an international conglomerate.

Is Mr Turner, who tilted audaciously but unsuccessfully at the CBS network in 1985 and then concluded a messy, incomplete deal over MGM, now preparing to ride off in pursuit of Paramount? Last week he was dismissive of the possibility because of the costs. But there is growing speculation that Mr Turner, who shares with Mr Murdoch a visceral feel for strategic deals, may be about to enter a rampant bid phase again.

Shortly after after his marriage to Jane Fonda Mr Turner retreated to his Montana ranch where he breeds bison and was content to turn up at CNN one day a month. Now he is back and looking for action.

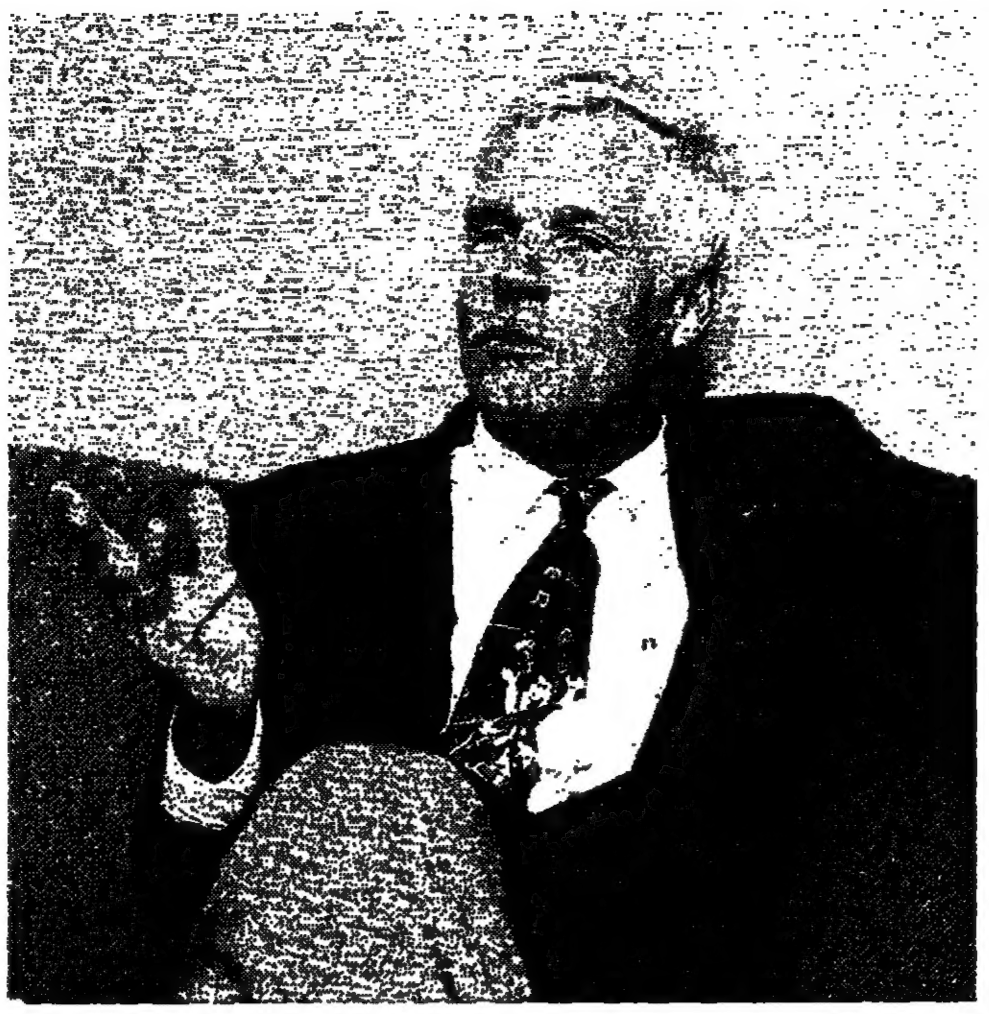
Although Paramount would be an enormous target for Turner Broadcasting System, which last year earned net income of $77.6m on revenues of $1.77bn, the parent has powerful shareholders, who might provide support. They include John Malone of TCI, the largest cable operator in the world with an equally voracious appetite for Hollywood films, and Time Warner.

While Mr Turner ponders whether to seriously go for a home run on Paramount, he has encountered a little local difficulty in Europe, where the French and Belgian authorities are blocking his TNT/Cartoon Network on the grounds of insufficient European content. Even the British government is starting to hint that satellite channels should carry more European programmes.

"They've [the French] got this bee in their bonnet about French culture, they've got a great culture. I've been to Versailles," says Mr Turner.

Paramount aside, what does Mr Turner, who admits taking medicine for mild manic phases, still want to achieve?

"Catch a 10lb bass and win a World Series," he replies quick as a flash. And, of course, remaining happy to be known as Jane Fonda's husband.



'Their culture is great. I've been to Versailles'

PERSONAL FILE

1938 Born Cincinnati, Ohio.
1963 Takes control of Turner Advertising Company.
1970 Buys Channel 17 in Atlanta and in 1976 turns in into "Superstation" by going on satellite.
1976 Buys Atlanta Braves baseball team and, a year later, Atlanta Hawks basketball team in limited partnership.
1977 Successfully defends America's Cup in his yacht Courageous.
1980 Launches CNN.
1986 Buys MGM
1991 Marries his third wife, actress Jane Fonda

Greenspan faces monetary test

MICHAEL PROWSE on AMERICA

The most delicate question for central bankers is how quickly to start tightening monetary policy after an economic recovery gains momentum. Last week, a group of economists led by Professor Allan Meltzer, the well-known monetarist from Carnegie-Mellon university, accused the US Federal Reserve of having delayed far too long already.

Policy, they claim, is irresponsibly expansionary because narrow measures of the money supply are growing at double digit rates, far in excess of monetary demand in the real economy. The excess liquidity is pouring into financial markets, artificially bidding up the prices of shares and bonds. Unless the Fed begins to tighten policy quickly, they say, the US could face an "asset price bubble" of the kind that destabilised the Japanese economy in the late 1980s.

Fed policymakers meet in Washington tomorrow for their regular six-weekly assessment of monetary conditions. Most will be inclined to argue that fears of a speculative bubble are exaggerated. In his Humphrey-Hawkins congressional testimony in July, Mr Alan Greenspan, the Fed chairman, echoed conventional wisdom when he argued that the relationship between monetary aggregates and other economic variables, such as growth or inflation, had broken down.

He was trying to explain why abnormally slow growth of M2, a broad measure of money, did not justify further cuts in interest rates. But his argument could equally well be used to justify not raising rates in response to exceptionally rapid growth of narrow measures of money, such as the monetary base (currency plus banks' reserves).

A glance at real estate markets confirms that the US is not suffering a Japanese-style bubble in asset values. It is equally unwise to read too much into movements of the monetary base: the currency component, for example, has been inflated by large foreign holdings of dollar bills in Latin America and formerly communist countries. Yet there is a kernel of truth in the charge that financial institutions awash with liquidity are bidding up the prices of financial assets. To understand why, recall that monetary policy in recent years has had an important sub-plot: restoring the financial health of the US banking system.

To raise bank profits, Mr Greenspan has deliberately engineered some of the biggest interest rate margins in US financial history. The Fed is pumping reserves into the banking system to keep interbank rates at the artificially low level of 3 per cent – zero in real terms. The cost of retail deposits has fallen to a derisory 2 per cent. But the Fed has put no pressure on the big banks to reduce their loan rates accordingly: the prime lending is still 6 per cent rate and many short-term loans are far more expensive.

Instead of competing to lend at cheaper rates, banks are enjoying high margins and ploughing cash into US government securities. After growing at a compound annual rate of nearly 20 per cent for three years, bank holdings of government bonds stood at a giddy $700bn in June, roughly a third of their outstanding loans.

The Greenspan policy has had a startling impact on bank finances. On the verge of bankruptcy at the end of the 1980s, US banks are now among the best capitalised in the world. Bank profits nearly doubled 1992 and have risen further this year. The average return on assets has soared to record levels. "It's a very, very generous situation for the banks," muses Mr Leonard Santow, a Wall Street bond market commentator. "I'm not sure we have ever had margins like this."

Share and bond prices were bound to rise sharply as the economy emerged from recession. But would long bond yields have fallen three percentage points to the lowest levels in a generation without the extra push from banks? And if bond yields had not fallen so fast would the Dow Jones average have risen nearly 50 per cent from its trough in 1990? The Fed's policy of shoring up the banking system initially made sense. But with profitability fully restored, continued largesse seems unnecessary.

Raising the cost of reserves for banks would make little sense if the economy as a whole still needed a big monetary stimulus. But does it? The recession formally ended more than two years ago. Huge revisions to statistics show that the downturn was milder than previously thought and the rebound stronger: economic growth has averaged a respectable 2.5 per cent a year since spring 1991, in spite of weak export markets. Recent figures for retail sales and production suggest the economy may currently be growing at an annual rate of about 3 per cent. More than 2m jobs have been created in the past 18 months. The jobless rate has fallen more than a percentage point to 6.7 per cent, low by the standards of much of the buoyant 1980s.

The popular view is that the Fed does not need to tighten monetary policy because inflation seems under control; a spurt in prices in the spring has since reversed itself. Yet most forecasters still expect inflation to average 3 per cent or slightly more in coming years – hardly the price stability promised by Mr Greenspan. With the economy growing steadily and financial markets decidedly frothy, his policy of zero real interest rates is getting ever harder to justify.

E Germany's first blooms

IAN DAVIDSON on EUROPE

Mr Jürgen Sarrazin, chairman of Germany's Dresdner Bank, has complained that the European Community is not doing its share in helping the integration of the former East Germany.

"Unfortunately," he said last week, "it is virtually taken for granted in Europe that the Federal Republic must deal with the economic integration of east Germany on its own. Why should southern Italy, parts of Greece and Portugal, and French agriculture be seen as European problems, while eastern Germany remains a purely German affair?" This could jeopardise pro-European sentiment in west Germany, he warned.

From a factual point of view, of course, Mr Sarrazin's moan is misleading. The Community's farm policy applies just as much to east Germany as it does to France, and the same is true of the Regional Fund.

On the other hand, it is easy to see why some west Germans should now have second thoughts about their original decision to treat economic unification as a purely German affair. The budgetary costs are turning out to be many times greater than expected by the daffy optimists (who included Dresdner Bank), and the results much more disappointing, or at least much slower.

In December 1989, Chancellor Helmut Kohl predicted that there would be "blooming landscapes" in the eastern Länder within two or three years; but these blooming landscapes have yet to appear, and Mr Kohl's words are daily held against him by the many disillusioned people of the east.

The main reason for disillusionment has been the steep rise in unemployment and the general collapse of east Germany's uncompetitive industries. Recent figures show an average unemployment rate of 16 per cent. If you add in job creation, career training, and early retirement or equivalent, the real total of the unemployed and the under-employed together is reckoned to be 35 per cent or more.

I recently visited the east German Länder on a tour arranged by the Friedrich Ebert Foundation, the German think-tank associated with the SPD social democrat party. By and large the trip confirmed the seriousness of the economic problems of the east. But it also suggested that the picture is not as unrelievedly bleak as the crude unemployment statistics imply.

In agriculture, as in industry, there has been a collapse in employment. In Mecklenberg-Vorpommern the number of farm jobs has dropped from 180,000 to 25,000, in Brandenberg from 300,000 to 30,000. But we met one man who, virtually overnight, has been transformed from being an ordinary farm co-operative member to a large-scale farmer.

In 1991 the 360 members of the co-operative in the village of Puchow received vouchers valuing their shares. In exchange for an undertaking to pay off the other members over five years, Detlef Sünboldt and a partner now farm 2,800 hectares, on which they pay DM300,000 (£120,000) rent, and employ 31 members of the co-operative. No doubt the choice, and the change, were difficult for other members; but it sounds like a shrewd arrangement for the market economy.

In Neubrandenburg, the biggest industry under the old regime, the vast Warsaw Pact RWN tank repair centre, is being broken up and privatised. Heinz Schewe, an employee of RWN, worked his way up from an apprenticeship in 1969 to an engineering diploma. In 1990 he and a partner bought out one of the RWN subsidiaries, on money borrowed from Commerzbank. The company, which makes aluminium frames and windows, now employs 80 people, and last year doubled its turnover to DM15m.

In the late 1980s, the GDR built a vast penicillin factory. But when it came on stream in May 1990, it became clear that it was totally uncompetitive, and it had to be closed. "It was on much too large a scale," says Manfred Pfeifer, the company's production director. "We were not ready for the free market – indeed, we had no market, once the state disappeared." On the wreckage of the company, the liquidator built a 68-room hotel, which Dr Pfeifer is now running, apparently profitably.

One of the constant laments in the east is that the modernisation or reconstruction of old housing is being obstructed or even paralysed by disputed ownership claims. In Saxony they have settled 112,000 such claims, but that leaves nearly 300,000 unsettled. In Dresden, the 40,000 outstanding claims have driven land prices so high that building costs are more expensive than in Munich.

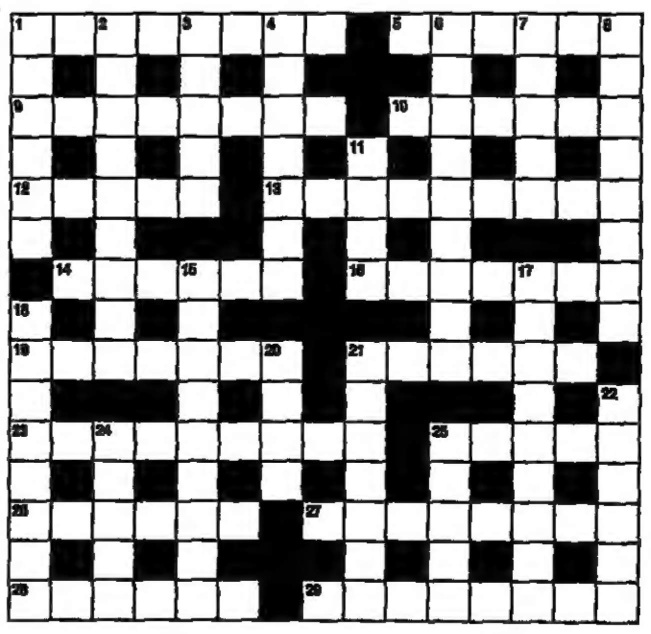
And yet there is no denying the vigour of the construction boom, confirmed both by the ubiquity of large building cranes and by the statistics: construction turnover in Saxony up 11 per cent this year. But what is being built is not productive industry. "The new companies coming here are not producers," says Dr Pfeifer. "They are wholesalers, cash and carry, builders' merchants, steel merchants, furniture warehouses." He might have added: petrol stations, car showrooms, insurance companies and banks (83 new banks in Dresden alone).

Some analysts worry that the east is skewed in the direction of consumerism and services, unsustainably dependent on budget transfers from Bonn. Yet perhaps the development of services and infrastructure are really the *precondition* for industrial investment.

But the most important task is the reconstruction of society: the weeding out of tainted judges and the introduction of good law, retraining of teachers, conversion of bureaucracy, education in politics. This will take a generation; and of course it is something that only the Germans can do, and they must do it by themselves.

CROSSWORD

No.8,258 Set by DANTE



ACROSS

1 Predeccessor leaving no traces around (8)
5 Say what you like, it's free! (6)
9 They may be happy playing cards (8)
10 A song from Iolanthe, maybe (6)
12 Load the vehicle and leave (5)
13 Let off a gun – and lose a hand! (9)
14 Back in ballet, Ted offered Swan Lake (6)
16 Behave shiftily before embarking on the deal (7)
19 Ended series, having exceeded time allowed (7)
21 Smile when you say that! (6)
23 Craft likely to go under (9)
25 Country offering the finest service (5)
26 Standard a number considered average (6)
27 Part friends? (8)
28 One has no reason to want it (6)
29 Man's man, for instance (8)

DOWN

1 Pretend to have influence on events (6)
2 Scotsman goes up to join university (9)
3 Shots of Surrey opener stir the Oval (5)
4 Late deliveries outstanding (7)
6 Accommodation for top people? (9)
7 A theatrical number (5)
8 Beaten by Noah's son and only daughter (8)
11 Goddess, one's double (4)
15 Scold or nag: matter for putting straight (9)
17 Find a shoe badly made (9)
18 Inferior numbers? (3,5)
20 A hard thing to catch (4)
21 Folds when credit becomes derestricted (7)
22 Profession has run rapidly out of control (6)
24 Twice decorated peer? (5)
25 It's about time I am in credit with rising account (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 2.